



Federal Election Commission

Agency Financial Report

Fiscal Year 2021

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Federal Election Commission
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Message from the Chair



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

OFFICE OF THE CHAIR

November 15, 2021

I am pleased to present the Federal Election Commission's (FEC) Agency Financial Report (AFR) for Fiscal Year (FY) 2021. The AFR reflects the agency's program performance and financial activities over the past year and demonstrates our continued commitment to administering the *Federal Election Campaign Act of 1971*, as amended.

The FEC protects the integrity of the Federal campaign finance process by providing the public with accurate and accessible information about how candidates raise and spend funds to support their campaigns, enforcing the campaign finance laws, and encouraging voluntary compliance through timely advice and educational outreach. By furnishing the public with timely and transparent campaign finance data and fairly and effectively enforcing the law, the Commission safeguards against corruption or its appearance and provides the citizenry with crucial information by which to evaluate candidates for Federal office.

The FEC continues to seek opportunities to make its systems and processes more efficient and effective, including efforts to redesign the FEC website and to migrate data to a cloud environment. As a result, the FEC has been able to accommodate a steep rise in the number of financial transactions reported to the agency over the last several years. At the same time, the FEC has continued to prioritize improving the customer service it provides and ensuring that campaign finance information is readily available to the public.

With respect to the agency's FY 2021 annual financial statements, the Commission received an unmodified opinion from its independent auditors. This unmodified opinion reflects the continued commitment by the Commissioners and FEC staff to ensure that the FEC's financial statements fairly present the agency's fiscal position.

Management, which consists of senior managers including the Chief Financial Officer, Acting General Counsel and Staff Director, continue to respond to risks included in the agency Risk Profile (see Section I) and challenges identified by the Inspector General (see Section III).

In addition, the performance data described in the FEC's FY 2021 AFR were compiled and evaluated using appropriate techniques for achieving the desired level of credibility for the verification and validation of performance data relative to its intended use.

The efforts described in this report reflect the work and dedication of the agency's staff. The Commission is committed to continuing to fulfill the mission of the agency in the most efficient manner possible.

On behalf of the Commission,

A handwritten signature in blue ink that reads "Shana M. Broussard". The signature is written in a cursive, flowing style.

Shana M. Broussard
Chair

How to Use This Report

This Agency Financial Report presents financial information, as well as relevant performance information, on the Federal Election Commission's operations. The report was prepared pursuant to the *Accountability of Tax Dollars Act of 2002* and Office of Management and Budget (OMB) Circular A-136, revised, *Financial Reporting Requirements*, and covers activities from October 1, 2020 through September 30, 2021.

The FEC places a high importance on keeping the public informed of its activities. To learn more about the FEC and what the agency does to serve the American public, visit the FEC's website <https://www.fec.gov/about/reports-about-fec/strategy-budget-and-performance/>.

The FY 2021 Agency Financial Report is organized into three primary sections:

Section I – Management's Discussion and Analysis (MD&A) provides an overview of the FEC. It describes our mission, organizational structure, and regulatory responsibilities. It also includes relevant performance information related to the FEC's strategic goals and objectives to provide a forward-looking discussion of future challenges.

Section II – Financial Information, including the Independent Auditor's Report, detailing the FEC's financial performance by 1) highlighting the agency's financial position and audit results and 2) describing the FEC's compliance with key legal and regulatory requirements.

Section III – Other Information includes our Inspector General's (IG) assessment of the FEC's management challenges and the FEC's response.

SECTION I – Management’s Discussion and Analysis

Section I.A: Mission and Organizational Structure

The Federal Election Commission is an independent regulatory agency responsible for administering, enforcing, defending and interpreting the *Federal Election Campaign Act of 1971*, as amended (*FECA* or *the Act*).¹ Congress created the FEC to administer, enforce and formulate policy with respect to the *FECA*. The *Act* reflects a belief that democracy works best when voters can make informed decisions in the political process—decisions based in part on knowing the sources of financial support for Federal candidates, political party committees and other political committees. Public confidence in the political process also depends on the knowledge that participants in Federal elections follow clear and well-defined rules and face consequences for non-compliance.

Under the *Act*, all Federal political committees, including the committees of Presidential, Senate and House candidates, must file reports of receipts and disbursements. The FEC makes disclosure reports, and the data contained in them, available to the public through the Commission’s internet-based public disclosure system on the Commission’s website, as well as in a public records office at the Commission’s Washington, D.C. headquarters. The FEC also has exclusive responsibility for civil enforcement of the *Act* and has litigating authority independent of the Department of Justice in U.S. district court and the courts of appeals. Additionally, the Commission promulgates regulations implementing the *Act* and issues advisory opinions responding to inquiries regarding interpretation and application of the *Act* and the Commission’s regulations.

Additionally, the Commission is responsible for administering the Federal public funding programs for Presidential campaigns. This responsibility includes certifying and auditing all participating candidates and committees and enforcing the public funding laws.

The FEC has chosen to produce an Agency Financial Report (AFR) and Annual Performance Report (APR) pursuant to the *Government Performance and Results Act of 1993*, as amended. The FEC will include its FY 2021 Annual Performance Report with its Congressional Budget Justification and will post it on the FEC website at <https://www.fec.gov/about/reports-about-fec/strategy-budget-and-performance/> in 2022.

¹ The Commission’s primary responsibilities pertain to the *Federal Election Campaign Act of 1971*, Public Law 92-225, 86 Stat. 3 (1972) as amended (*codified at 52 U.S.C. §§ 30101-30145*) (formerly at 2 U.S.C. §§ 431-55) (*the Act* or *the FECA*). The Commission’s responsibilities for the Federal public funding programs are contained in the *Presidential Election Campaign Fund Act*, Public Law 92-178, 85 Stat. 562 (1971) (*codified at 26 U.S.C. §§ 9001-13*) and the *Presidential Primary Matching Payment Account Act*, Public Law 93-443, 88 Stat. 1297 (1974) (*codified at 26 U.S.C. §§ 9031-42*).

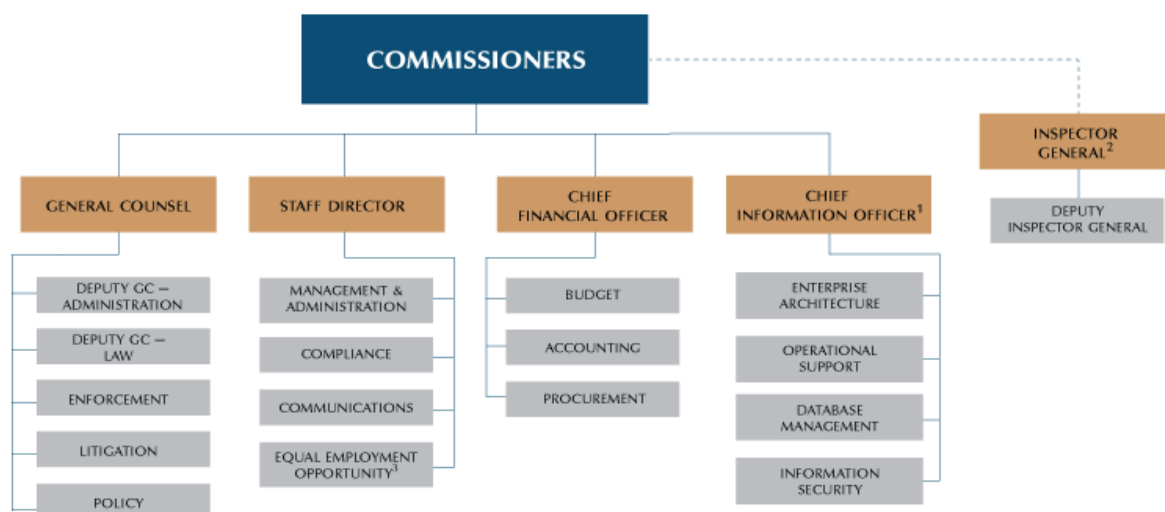
Mission Statement

The FEC's mission is to protect the integrity of the Federal campaign finance process by providing transparency and fairly enforcing and administering Federal campaign finance laws.

Organizational Structure

To accomplish its legislative mandate, the FEC is directed by six Commissioners, who are appointed by the President with the advice and consent of the Senate. By law, no more than three Commissioners can be members of the same political party. Each member serves a six-year term, and two seats are subject to appointment every two years. Commissioners may serve beyond their six-year terms until new Commissioners are confirmed. The Chairmanship of the Commission rotates among the members, with no member serving as Chair more than once during his or her six-year term. The Commissioners are responsible for administering and enforcing the *Act* and meet regularly to formulate policy and to vote on significant legal and administrative matters. The *Act* requires the affirmative vote of four members of the Commission to approve official actions, thus requiring bipartisan decision-making. The FEC has its headquarters in Washington, D.C. and does not have any regional offices.

As noted in Figure 1, the offices of the Staff Director, General Counsel, Chief Information Officer and Chief Financial Officer support the agency in accomplishing its mission. The Office of the Inspector General, established within the FEC in 1989 under the 1988 amendments to the *Inspector General Act*, is independent and reports both to the Commissioners and to Congress. The specific roles and responsibilities of each office are described in greater detail below.



¹ The position of Chief Information Officer normally reports directly to the Staff Director who, in turn, reports to the Commission itself. At present, however, the same individual is serving in both the position of the Staff Director and the position of the Chief Information Officer, pursuant to an authorization by the Commission and based, in part, on an advance decision from the Comptroller General. Accordingly, the organizational chart reflects both positions – the Staff Director and the Chief Information Officer – as reporting directly to the Commission.

² The Office of the Inspector General (OIG) independently conducts audits, evaluations, and investigations. OIG keeps the Commission and Congress informed regarding major developments associated with their work.

³ The Director for Equal Employment Opportunity reports to the Staff Director on administrative issues but has direct reporting authority to the Commission on all EEO matters. See 29 CFR 1614.102(b)(4).

Figure 1: FEC Organizational Chart

□ **Office of the Staff Director (OSD)**

The Office of the Staff Director consists of four offices: 1) Management and Administration; 2) Compliance; 3) Communications; and 4) Equal Employment Opportunity. The Office of Management and Administration is responsible for the FEC’s strategic planning and performance and works with the Commission to ensure the agency’s mission is met efficiently. In addition, this office houses the Commission Secretary, the Office of Human Resources (OHR) and the Administrative Services Division (ASD). The primary responsibilities of the Office of Compliance are the processing and review of campaign finance reports and filing assistance, audits, administrative fines and alternative dispute resolution. The Office of Communications includes divisions charged with making campaign finance reports available to the public, encouraging voluntary compliance with the *Act* through educational outreach and training and ensuring effective communication with Congress, executive branch agencies, the media and researchers and the general public. The Equal Employment Opportunity Office administers and ensures compliance with applicable laws, regulations, policies and guidance that prohibit discrimination in the Federal workplace based on race, color, national origin, religion, age, disability, sex, pregnancy, genetic information or retaliation. The EEO Officer reports to the Staff Director on administrative issues but has direct reporting authority on all EEO matters. *See* 29 CFR 1614.102(b).

□ **Office of General Counsel (OGC)**

The Office of General Counsel consists of five organizational units: (1) the Deputy General Counsel - Administration; (2) the Deputy General Counsel - Law; (3) the Policy Division; (4) the Enforcement Division; and (5) the Litigation Division. The Deputy General Counsel - Administration directly supervises the Administrative Law Team, the Law Library and all OGC administrative functions. The Deputy General Counsel - Law has the primary responsibility for assisting the General Counsel in all of the substantive aspects of the General Counsel's duties and shares in the management of all phases of OGC programs, as well as directly supervising the agency's ethics program. The Policy Division drafts for Commission consideration advisory opinions and regulations interpreting the Federal campaign finance law and provides legal advice to the FEC's compliance programs. The Enforcement Division recommends to the Commission appropriate action to take with respect to administrative complaints and apparent violations of the *Act*. Where authorized, the Enforcement Division investigates alleged violations and negotiates conciliation agreements, which may include civil penalties and other remedies. If an enforcement matter is not resolved during the administrative process, the Commission may authorize suit in district court, at which point the matter is transferred to the Litigation Division. The Litigation Division represents the Commission before the Federal district and appellate courts in all civil litigation involving campaign finance statutes. This Division assists the Department of Justice's Office of the Solicitor General when the Commission's *FECA* cases are before the Supreme Court.

□ **Office of the Chief Information Officer (OCIO)**

The Office of the Chief Information Officer (OCIO) consists of four units: (1) Enterprise Architecture; (2) Operational Support; (3) Data Administration; and (4) IT Security. The OCIO provides secure, stable and robust technology solutions for Commission staff and the public. OCIO both develops and maintains the systems that serve as the public's primary source of information about campaign finance data and law and ensures agency employees have a technology infrastructure that allows them to perform their day-to-day responsibilities administering and enforcing campaign finance law. OCIO also develops and supports analytic reporting tools that help staff perform their disclosure and compliance duties.

□ **Office of the Chief Financial Officer (OCFO)**

The Office of the Chief Financial Officer consists of three offices: (1) Budget; (2) Accounting; and (3) Procurement. The OCFO is responsible for complying with all financial management laws and standards, and all aspects of budget formulation, budget execution and procurement.

Sources of Funds

Figure 2 shows the agency's appropriation and total obligations from FY 2017 to FY 2021.

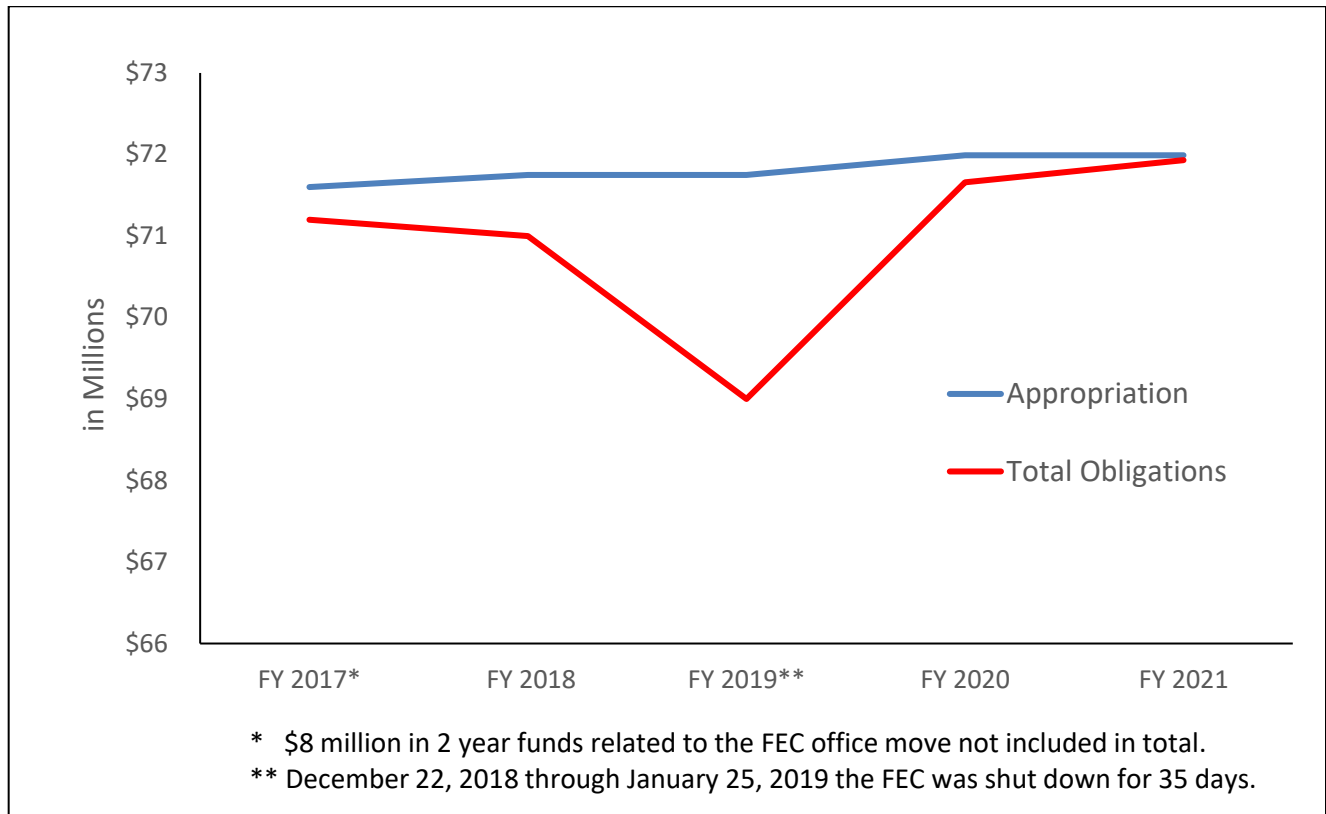


Figure 2: Summary of Funding (in millions of dollars)

The FEC also has the authority to collect fees from attendees of agency-sponsored educational conferences and webinars. The Commission may use those fees to defray the costs of conducting those programs. The Commission works with its conference-management contractor to set registration fees at a level that covers only the costs incurred, which may include meeting room rental and conference meals and compensation. All other conference-related expenses, such as materials and staff travel, are paid using appropriated funds. Registration fees for FY 2021 were \$71,934.

Personnel vs. Non-Personnel Costs

Figure 3 represents the Commission's FY 2021 obligations by personnel and non-personnel costs. Personnel costs, which are primarily composed of salaries and employee benefits, accounted for 73 percent of the FEC's costs. The remaining 27 percent of the Commission's costs was spent on non-personnel items, such as infrastructure and support, software and hardware, office rent, building security and other related costs.

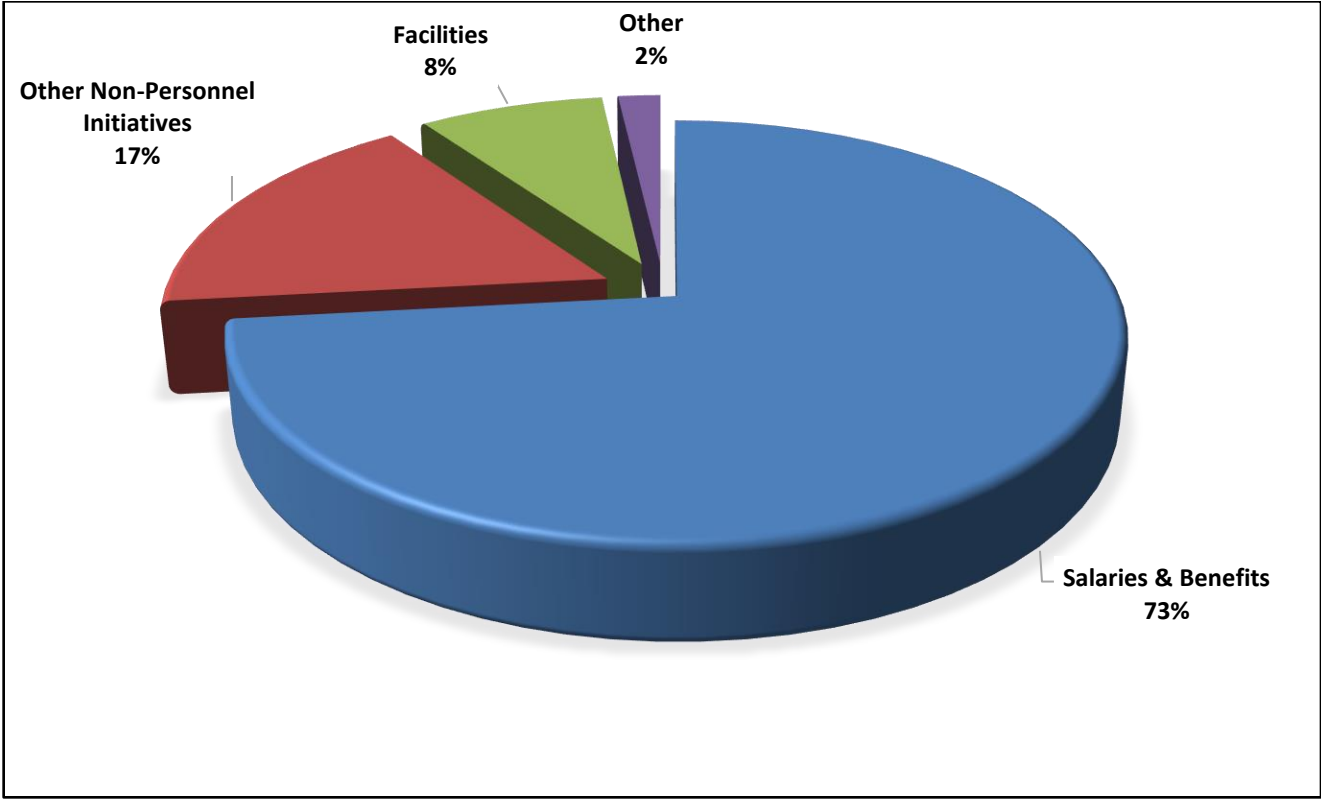


Figure 3: Fiscal Year 2021 by Major Category

Risk Identification and Mitigation

In Fiscal Year (FY) 2017, the FEC formed a Senior Management Council (SMC) to manage internal control and Enterprise Risk Management (ERM) efforts in response to new requirements outlined in OMB Circular A-123. The SMC delivered to OMB an agency-wide Risk Profile to assist in the effective management of risk areas impacting FEC strategic, operational, reporting, and compliance objectives. In FY 2018, the SMC took further steps toward effective management of risk by updating Commission Directive 53 *Implementation of OMB Circular A-123: Internal Control Program* to comply with ERM requirements. In FY 2018, 2019, 2020, and 2021 the SMC submitted an updated Risk Profile to OMB.

As part of the annual Internal Control Review (ICR) process, program offices rated each risk from the Risk Profile, detailed how the risk affects their operations and identified mitigating activities in place to respond to the risk. The current Agency-wide Risk Profile is shown below and further discussion on risk is included in the remaining MD&A sections.

Federal Election Commission - FY 2021 ERM Risk Profile

| Identified Significant Risk | Inherent Risk Rating | Current Risk Response | Residual Risk Rating | Proposed Additional Action | Proposed Implementation/ Monitoring Process |
|--|----------------------|---|----------------------|--|---|
| Budget Constraints That Limit Hiring and IT Modernization Initiatives | High | Reduction: seek additional funds and prioritize available resources | High | Continue to seek additional funding. Provision of additional funding is not in Management's control | OCFO and Congressional Affairs |
| Significant and Substantive Amendments to FECA/Pending Judicial Opinions | Medium | Acceptance: monitoring | Medium | Not in Management's control | OGC and Congressional Affairs |
| Absence of Quorum/Confirmation of Commissioners | High | Reduction: Directive 10 | High | Not in Management's control | OGC and Congressional Affairs |
| Significant Increase in Federal Election Campaign Disclosure Activity | Very High | Reduction: infrastructure improvements | High | Move to scalable cloud-based computing and development of new e-filing platform. Advocate for more funding to invest in IT infrastructure and additional FTEs. | OCIO Performance/ Monitoring Reports |
| Changes to Government-wide Directives including Human Capital and Operating Requirements | Medium | Acceptance: monitoring | Medium | Continue monitoring centralized repository for new executive orders, directives, memorandums, and other guidance. | OGC and OHR |

| Identified Significant Risk | Inherent Risk Rating | Current Risk Response | Residual Risk Rating | Proposed Additional Action | Proposed Implementation/ Monitoring Process |
|--|----------------------|---|----------------------|---|---|
| Disruptions to Agency Operations | Medium | Acceptance: monitoring | Medium | Not in Management's control. Continuous updates to the Disaster Recovery Plan, COOP, and Shutdown Plan. | Monitored by Senior Management |
| Failure of Contractors to Provide Required Deliverables | High | Reduction: monitoring of contracts by Contracting Officer's Representatives (CORs) and review procurement process, including enhancements to objectives and requirements. | Medium | Consistent monitoring of contractor performance and implementation issues. | Monitored by CORs/COs |
| Multiple Acting Positions, Including Key Positions | Very High | Acceptance: monitoring | High | Continue to support hiring initiatives and streamline hiring process. Continuous monitoring of budget in order to fill positions when possible. Budget constraints are outside of Management's control. | Personnel and Finance Committees |
| Attrition and High Volume of Retirement Eligible Employees | High | Reduction: succession planning and employee engagement efforts | High | Encourage succession planning, cross-training, and pooling support services and support employee engagement efforts. Retirement eligibility is outside of Management's control. | Retirement Eligibility Report and FEVS |

| Identified Significant Risk | Inherent Risk Rating | Current Risk Response | Residual Risk Rating | Proposed Additional Action | Proposed Implementation/ Monitoring Process |
|--|----------------------|--|----------------------|--|---|
| Major Functions Performed by One Individual | Medium | Reduction: cross-train and document processes | Medium | Cross-train individuals to perform major functions. Document procedures and processes. Also, continuous monitoring of budget in order to fill positions when possible. | Internal Controls |
| Privacy and Data Protection | Very High | Reduction: corrective actions and internal controls | High | Continue to implement corrective actions and enhance internal controls. | Corrective Action Plan/Internal Controls |
| Assessments and System Authorizations | Medium | Reduction: corrective actions and internal controls | Medium | Continue to implement corrective actions and enhance internal controls. | Corrective Action Plan/Internal Controls |
| Outdated Policies, Procedures, and Commission Directives | Medium | Reduction: implementing, revising, and reviewing policies, procedures, and Directives. | Medium | Update policies, procedures, and Directives in response to the FEC move, new or revised regulatory guidance, and changing operating procedures. | Monitor as part of Internal Control Review |

Section I.B: Performance Goals, Objectives and Results

This section provides a summary of the results of the FEC’s key performance objectives, which are discussed in greater detail in the FEC’s FY 2021 APR.² This report will be part of the FEC’s FY 2023 Congressional Budget Justification, which will be available at <https://www.fec.gov/about/reports-about-fec/strategy-budget-and-performance/> in 2022.

Strategic Goal

The strategic goal of the Federal Election Commission is to fairly, efficiently and effectively administer and enforce the *Federal Election Campaign Act*, promote compliance and engage and inform the public about campaign finance data and rules, while maintaining a workforce that delivers results.

Strategic Objectives

The *Act* reflects a belief that democracy works best when voters can make informed decisions in the political process—decisions based in part on knowing the sources of financial support for Federal candidates, political party committees and other political committees. As a result, the FEC’s first strategic objective is to inform the public about how Federal campaigns and committees are financed. Public confidence in the political process also depends on the knowledge that participants in Federal elections follow clear and well-defined rules and face consequences for non-compliance. Thus, the FEC’s second strategic objective focuses on the Commission’s efforts to promote voluntary compliance through educational outreach and to enforce campaign finance laws effectively and fairly. The third strategic objective is to interpret the *FECA* and related statutes, providing timely guidance to the public regarding the requirements of the law. The Commission also understands that organizational performance is driven by employee performance and that the agency cannot successfully achieve its mission without a high-performing workforce that understands expectations and delivers results. Consequently, the FEC’s fourth strategic objective is to foster a culture of high performance in order to ensure that the agency accomplishes its mission efficiently and effectively.

Objective 1: Engage and Inform the Public about Campaign Finance Data

The FEC’s eFiling system acts as the point of entry for submission of electronically filed campaign finance reports, providing faster access to reports and streamlining operations. This system provides for public disclosure of electronically filed reports, via the FEC website, within minutes of being filed. When a committee files a financial disclosure report on paper, the Commission ensures that a copy is available for public inspection within 48 hours of receipt, both electronically on the website and at the

² The FEC has identified senior-level staff and key managers to serve as goal leaders for each area of the strategic and performance plans. In addition, each strategic activity in the Strategic Plan has been assigned one or more program managers, who are responsible for the delivery and performance reporting of that activity. These managers serve as measure managers and data quality leads to ensure the completeness, consistency and accuracy of the reported data of their respective strategic activity.

FEC's offices in Washington, D.C. The FEC is committed to providing timely and transparent campaign finance disclosure to the public and delivering data in accessible and easy-to-use formats.

The number of financial transactions reported to the FEC has nearly doubled each election cycle for the past several election cycles, resulting in a steep rise in the number of transactions that must be received, processed and made available to the public. This increase in reported activity places a strain on staff, systems and databases. For example, the number of financial transactions received during October 2020 alone was more than what was received during the entire 2016 election cycle. Each transaction must be received and processed by the FEC and made available to the public on the FEC website. This transaction-level data is also used by the FEC internally and supports much of the FEC's mission-related work.

The FEC is taking steps to ensure it can continue to meet the agency's disclosure mission in future years even as the amount of reported activity continues to rise. As political committees active in federal elections continue to develop new methods for raising funds, the volume of transactions reported can change significantly. During FY 2022, as projections for the volume of campaign finance transactions become available for the election cycle, the FEC will establish a baseline for the performance of the campaign finance application programming interface (API) and campaign finance database. The agency will use this baseline to develop future plans to improve the agency's capacity to process campaign finance data.

The Commission is also improving and refining its website through iterative development, ensuring the FEC continues to provide an effective, user-centered online platform to deliver campaign finance information to its diverse base of users. This effort will ensure that the FEC provides full and meaningful campaign finance data and information in a manner that meets the public's increasing expectations for data customization and ease of use.

Performance measures and targets for assessing progress on this Strategic Objective include measures to ensure that data from campaign finance reports are quickly made available to the public and that the FEC pursues programs to make data more accessible to the public.

Performance Goal 1-1: Improve the public’s access to information about how campaign funds are raised and spent.

| Key Indicator: Percent of reports processed within 30 days of receipt. | | | | | | | | |
|--|----------------|----------------|------------------|----------------|----------------|------------------|----------------|----------------|
| FY 2016 Actual | FY 2017 Actual | FY 2018 Actual | FY 2019 Actual | FY 2020 Actual | FY 2021 Target | FY 2021 Actual | FY 2022 Target | FY 2023 Target |
| 100% | 96% | 100% | 94% ³ | 98% | 95% | 89% ⁴ | 95% | 95% |

Objective 2: Promote Compliance with the FECA and Related Statutes

Helping the public understand its obligations under the *Act* is an essential component of voluntary compliance. The FEC places a significant emphasis on encouraging compliance through its Information Division, Reports Analysis Division (RAD), Press Office and Office of Congressional, Legislative and Intergovernmental Affairs. The FEC measures its progress in meeting this Objective through two performance measures: one that measures the agency’s efforts to encourage voluntary compliance through educational outreach and information and another that measures the FEC’s efforts to seek adherence to *FECA* requirements through fair, effective and timely enforcement and compliance programs. Progress against these measures is detailed in the charts below.

Encourage voluntary compliance with FECA requirements through educational outreach and information.

The FEC’s education and outreach programs provide information necessary for compliance with campaign finance law and give the public the context necessary to interpret the campaign finance data filers disclose. The FEC maintains a toll-free line and public email accounts to respond to inquiries regarding campaign finance data disclosed to the public and questions about how to comply with campaign finance law and its reporting requirements.

One way the Commission encourages voluntary compliance is by hosting conferences across the country, where Commissioners and staff explain how the *Act* applies to candidates, parties and political action committees. These conferences address recent changes in the law and focus on fundraising, methods of candidate support and reporting regulations.

The FEC also devotes considerable resources to ensuring that staff can provide distance learning opportunities to the general public. The Commission’s website is one of the most important sources of instantly accessible information about the *Act*, Commission regulations, and Commission proceedings.

³ The agency’s ability to meet its target for this performance goal during FY 2019 was negatively impacted by the lapse in appropriations from December 22, 2018 to January 25, 2019.

⁴ The agency’s ability to meet its target for this performance goal during FY 2021 was negatively impacted by staff shortages and an unprecedented volume of filings received during the 2020 election cycle.

In addition to viewing campaign finance data, anyone with internet access can use the website to track Commission rulemakings, search advisory opinions, audits and closed enforcement matters, view campaign finance data, and find reporting dates. The Commission places a high emphasis on providing educational materials about campaign finance law and its requirements. Toward this end, the FEC has moved its focus away from the printing and manual distribution of its educational materials and instead looked for ways to leverage available technologies to create and disseminate dynamic and up-to-date educational materials through the website. While the Commission continues to offer printed copies of its educational publications, transitioning to primarily web-based media has allowed the agency to reduce significantly its printing and mailing costs and use of resources while at the same time encouraging new and expanded ways of communicating with the public via the website.

As part of this broad effort to improve its internet communications and better serve the educational needs of the public, the Commission maintains its own YouTube channel, which can be found at <https://www.youtube.com/FECTube>. The YouTube channel offers a variety of instructional videos and tutorials that enable users to obtain guidance tailored to their specific activities.

The agency's educational outreach program has been significantly enhanced with the addition of an online training service that enables political committees, reporters, students and other groups to schedule live, interactive online training sessions with FEC staff. This on-demand service allows the FEC to provide tailored, distance learning presentations and training to the public in a manner that will significantly increase the availability of FEC staff to serve the public. The service also offers an efficient and effective way for alternative dispute resolution and other enforcement respondents to satisfy the terms of their agreements with the agency.

In addition, the Reports Analysis Division (RAD) established and implemented the RAD Education Program (the Program) to provide an informal, education-based means for resolving compliance issues. The goal of the program is to educate political committees on disclosure and compliance requirements to ensure future compliance with the Federal Election Campaign Act and Commission regulations. The Program provides eligible committees with an opportunity to participate in tailored training focused on the issues identified during the review of the committees' reports and cited in Requests for Additional Information sent during the election cycle, in lieu of a referral for an audit. Further, committees that are not otherwise eligible for an audit referral, but that meet certain criteria, are invited to participate in the Program in order to prevent future compliance issues.

Performance Goal 2-1: Encourage voluntary compliance with FECA requirements through educational outreach and information.

| Key Indicator: Educational outreach programs and events achieve targeted satisfaction rating on user surveys. | | | | | | | | |
|---|----------------|----------------|----------------|----------------|------------------------------|----------------|------------------------------|------------------------------|
| FY 2016 Actual | FY 2017 Actual | FY 2018 Actual | FY 2019 Actual | FY 2020 Actual | FY 2021 Target | FY 2021 Actual | FY 2022 Target | FY 2023 Target |
| 4.53 | 4.43 | 4.53 | 4.45 | 4.51 | 4.0 or higher on a 5.0 scale | 4.36 | 4.0 or higher on a 5.0 scale | 4.0 or higher on a 5.0 scale |

Seek adherence to FECA requirements through fair, effective and timely enforcement and compliance programs.

The FEC has formed strategies for ensuring that its enforcement and compliance programs are fair, effective and timely. The Commission’s statutory obligation is to administer, interpret and enforce the *Federal Election Campaign Act*, which serves the compelling governmental interest in deterring corruption and the appearance of corruption in financing elections. In doing so, the Commission remains mindful of the First Amendment’s guarantees of freedom of speech and association, and the practical implication of its actions on the political process.

The FEC has exclusive jurisdiction over civil enforcement of Federal campaign finance laws. It consults with the U.S. Department of Justice, as appropriate, on matters involving both civil and criminal enforcement of the *Act*. Commission enforcement actions, which are handled primarily by the Office of General Counsel (OGC), originate from a number of sources, including external complaints, referrals from other government agencies and matters generated by information ascertained by the Commission in the normal course of carrying out its supervisory responsibilities. Enforcement matters are handled by OGC pursuant to the requirements of the *FECA*. If the Commission cannot settle or conciliate a matter involving an alleged violation of the *Act*, the Commission may initiate civil litigation by filing and prosecuting a civil action in Federal district court to address the alleged violation. Closed enforcement matters are available via the FEC website.

To augment OGC’s traditional enforcement role, the Office of Compliance manages several programs that seek to remedy alleged violations of the *Act* and encourage voluntary compliance. These programs include: 1) the Alternative Dispute Resolution Program, 2) the Administrative Fine Program and 3) the Audit Program. The Commission’s Alternative Dispute Resolution Program is designed to resolve matters more swiftly by encouraging the settlement of less-complex enforcement matters with a streamlined process that focuses on remedial measures for candidates and political committees, such as training, internal audits and hiring compliance staff. Violations involving the late submission of, or failure to file, disclosure reports are subject to the Administrative Fine Program. This Program is

administered by the Reports Analysis Division (RAD) and the Office of Administrative Review (OAR), which assess monetary penalties and handle challenges to the penalty assessments. The Audit Program conducts “for cause” audits under the *FECA* in those cases where political committees have failed to meet the threshold requirements for demonstrating substantial compliance with the *Act* and conducts mandatory audits under the public funding statutes. Subject to limited redactions, threshold requirements approved by the Commission and used by RAD and the Audit Division are public.

Performance Goal 2-2: Seek adherence to FECA requirements through fair, effective and timely enforcement and compliance programs.

| Key Indicator: Of the enforcement matters resolved during the fiscal year, the percentage that was resolved within 15 months of the date of receipt. | | | | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| FY 2016 Actual | FY 2017 Actual | FY 2018 Actual | FY 2019 Actual | FY 2020 Actual | FY 2021 Target | FY 2021 Actual | FY 2022 Target | FY 2023 Target |
| 38% | 68% | 62% | 56% | 62% | 50% | 34% ⁵ | 50% | 50% |

Objective 3: Interpret the FECA and Related Statutes

Commission initiatives, Congressional action, judicial decisions, petitions for rulemaking or other changes in campaign finance law may necessitate that the Commission update or adopt new regulations. Consequently, the FEC undertakes rulemakings either to write new Commission regulations or revise existing regulations. The Commission also provides guidance on how the *Act* applies to specific situations through the advisory opinion process and represents itself in most litigation before the Federal district court and the courts of appeals. The Commission’s three primary means for providing interpretive guidance for the *Act* and related statutes are discussed below.

Regulations

The Policy Division of OGC drafts various rulemaking documents, including Notices of Proposed Rulemaking (NPRMs), for Commission consideration. NPRMs provide an opportunity for the public to review proposed regulations, submit written comments to the Commission and, when appropriate, testify at public hearings at the FEC. The Commission considers the comments and testimony and deliberates publicly regarding the adoption of the final regulations and the corresponding Explanations and Justifications, which provide the rationale and basis for the new or revised regulations.

Advisory Opinions

Advisory opinions (AO) are official Commission responses to questions regarding the application of Federal campaign finance law to specific factual situations. The *Act* generally requires the Commission to respond to AO requests within 60 days. For AO requests from candidates in the two months leading up to an election that present a specific transaction or activity related to that election, the *Act* requires the Commission to respond within 20 days. On its own initiative, the Commission also makes available

⁵ The agency’s performance under this measure was negatively impacted by the lack of a quorum for most of FY 2020.

an expedited process for handling certain time-sensitive requests that are not otherwise entitled to expedited processing under the *Act*. The Commission strives to issue these advisory opinions in 30 days.

Defending Challenges to the Act

The Commission represents itself in most litigation before the Federal district court and courts of appeals and before the Supreme Court with respect to cases involving publicly financed Presidential candidates. It also has primary responsibility for defending the *Act* and Commission regulations against court challenges. In addition, the *Act* authorizes the Commission to institute civil actions to enforce the *Act*.

Performance Goal 3-1: Provide timely legal guidance to the public.

| Key Indicator: Percent of legal guidance provided within statutory and court-ordered deadlines. | | | | | | | | |
|---|-------------------|-------------------|-------------------|-------------------|----------------|--------------------|----------------|----------------|
| FY 2016 Actual | FY 2017 Actual | FY 2018 Actual | FY 2019 Actual | FY 2020 Actual | FY 2021 Target | FY 2021 Actual | FY 2022 Target | FY 2023 Target |
| 100% ⁶ | 100% ⁷ | 100% ⁸ | 100% ⁹ | 88% ¹⁰ | 100% | 100% ¹¹ | 100% | 100% |

⁶ The Commission obtained extensions to consider six advisory opinion requests in FY 2016.

⁷ The Commission obtained extensions to consider seven advisory opinion requests in FY 2017.

⁸ The Commission obtained an extension to consider one advisory opinion request in FY 2018.

⁹ The Commission obtained extensions to consider six advisory opinion requests in FY 2019; two of those extensions were lengthened by the partial Federal government shutdown during the first and second quarters of FY 2019.

¹⁰ This corrects the figure in the 2020 Agency Financial Report, which indicated that 100% of legal guidance was provided within statutory and court-ordered deadlines. The Agency Financial Report did not take into account one rulemaking that the Commission approved after the statutory deadline, due to the lack of a Commission quorum for most of FY 2020. The Commission approved the rulemaking—which adjusted for inflation civil monetary penalties—in July 2020, when a quorum was briefly restored.

¹¹ The Commission obtained extensions to consider five advisory opinion requests in FY 2021; one of those extensions was lengthened by the lack of a Commission quorum during the first quarter of FY 2021.

Objective 4: Foster a Culture of High Performance

The Commission understands that the success of its programs depends upon the skills and commitment of its staff. The Commission is focused on ensuring that staff training needs are assessed and met at every level of the agency and that agency leaders receive training necessary to help manage and maintain a fully engaged and productive workforce.

The FEC is undertaking a multi-year IT modernization project to reduce overall costs to maintain the FEC's systems and data, improve services provided to the public and better ensure the security of the FEC's networks, systems and data. Ongoing improvements to the eFiling system will provide an opportunity to migrate the eFiling datacenter to a cloud environment, reducing costs for the support and maintenance of the legacy eFiling physical datacenter. Migrating additional assets, including legacy applications used by FEC staff to perform their mission, to a cloud environment will result in improved efficiency and effectiveness of these systems and applications and help control the long-term costs of maintaining these systems and applications.

In FY 2018, the FEC completed the migration of its website and one of its campaign finance databases from a physical datacenter to a cloud environment, allowing the agency to shut down one of its physical datacenters. This migration effort allowed the agency to reduce its physical datacenter footprint by 25 percent. During FY 2020, the FEC conducted a study of its remaining legacy systems to develop a cloud migration plan for these legacy applications and systems. The cloud migration plan developed during FY 2020 also included recommendations for migrating the FEC's disaster recovery environment to a cloud environment and for migrating the FEC's primary campaign finance database. The FEC began implementation of the study's recommendations in FY 2021 and has completed the migration of its primary campaign finance database. It has also set a performance target to complete the migration of the legacy applications identified in the cloud migration plan during FY 2023 and start refactoring (or modernizing) the legacy system and processes to take advantage of cloud-native architecture. Migrating these legacy applications from physical datacenters to a cloud environment will reduce future costs for hosting these applications and lower costs for maintaining legacy systems in the FEC's physical datacenters over time.

In addition, the Commission's records management program continues to make advancements. Fiscal year 2022 will bring continued focus on updating the agency's Records Management Program and training staff on the agency and governmentwide records schedules, policies and responsibilities.

Performance Goal 4-1: Foster a workforce that delivers results.

| Key Indicator: Commission-required quarterly updates meet targeted performance goals. | | | | | | | | |
|---|----------------|----------------|-------------------|-------------------|----------------|-------------------|----------------|----------------|
| FY 2016 Actual | FY 2017 Actual | FY 2018 Actual | FY 2019 Actual | FY 2020 Actual | FY 2021 Target | FY 2021 Actual | FY 2022 Target | FY 2023 Target |
| 76% | 85% | 73% | 53% ¹² | 73% ¹³ | 65% | 87% ¹⁴ | 65% | 65% |

¹² The agency’s ability to meet its target for this performance goal during FY 2019 was negatively impacted by the lapse in appropriations from December 22, 2018 to January 25, 2019.

¹³ The agency’s performance under this measure was negatively impacted by the lack of a quorum for most of FY 2020.

¹⁴ The agency’s ability to meet its target for this performance goal during FY 2021 was negatively impacted by staff shortages and an unprecedented volume of filings received during the 2020 election cycle.

Section I.C: Analysis of FEC Financial Statements and Stewardship Information

The FEC's FY 2021 financial statements and notes are presented in the required format in accordance with OMB Circular A-136, as revised, *Financial Reporting Requirements*. The FEC's current-year financial statements and notes are presented in a comparative format in Section II of this report.

The following table summarizes the significant changes in the FEC's financial position during FY 2021:

| Net Financial Condition | FY 2021 | FY 2020 | Increase (Decrease) | % Change |
|--------------------------------|----------------|----------------|----------------------------|-----------------|
| Assets | \$30,745,200 | \$36,566,339 | (\$5,821,139) | -16% |
| Liabilities | \$15,700,060 | \$16,039,162 | (\$339,102) | -2% |
| Net Position | \$15,045,141 | \$20,527,177 | (\$5,482,036) | -27% |
| Net Cost | \$77,960,050 | \$79,914,532 | (\$1,954,482) | -2% |
| Budgetary Resources | \$78,363,771 | \$79,061,462 | (\$697,691) | -1% |
| Custodial Revenue | \$1,590,976 | \$760,511 | \$830,465 | 109% |

The following is a brief description of the nature of each required financial statement and its relevance. The effects of some significant balances or conditions on the FEC's operations are explained.

Balance Sheet

The Balance Sheet presents the total amounts available for use by the FEC (assets) against the amounts owed (liabilities) and amounts that comprise the difference (Net Position). As a small independent agency, all of the FEC's assets consist of Fund Balance with Treasury (FBWT), Property and Equipment (P&E) and Accounts Receivable. Fund Balance with Treasury (i.e., cash) is available through the Department of Treasury accounts, from which the FEC is authorized to make expenditures (i.e., obligations) and payments. FBWT decreased by approximately \$1.48 million, or 6 percent, from the prior year.

Accounts Receivable primarily represent amounts due from the public for fines and penalties assessed by the FEC and referred to Treasury for collection, as deemed appropriate. In compliance with the *Debt Collection Improvement Act of 1996* (DCIA), the OCFO takes into consideration the most appropriate approach to debt management. These amounts are not available for FEC operations and are sent to the U.S. Treasury as miscellaneous receipts. Net accounts receivable increased by approximately \$280 thousand dollars, or 79%, from the prior year.

Total assets decreased by \$5.8 million from the prior year to \$30.7 million. In FY 2021, the agency removed from the asset accounts approximately \$3.8 million in assets no longer in service. Total liabilities decreased by approximately \$340 thousand.

Statement of Changes in Net Position

The Statement of Changes in Net Position presents in greater detail the net position section of the

Balance Sheet, including Cumulative Results of Operations and Unexpended Appropriations. This statement identifies the activity that caused the net position to change during the reporting period. Total Net Position decreased by 27 percent, or approximately \$5.5 million.

Statement of Net Cost

The Statement of Net Cost presents the annual cost of operating the FEC program. Gross costs are used to arrive at the total net cost of operations. The FEC's total gross costs in administering the *FECA* experienced a 3% fluctuation from the prior year.

Statement of Budgetary Resources

The Statement of Budgetary Resources provides information on the source and status of budgetary resources made available to the FEC during the reporting period. It presents the relationship between budget authority and budget outlays, as well as the reconciliation of obligations to total outlays. Total Budgetary Resources and Status of Budgetary Resources decreased by approximately \$700 thousand dollars, or 1 percent, from the prior year.

Statement of Custodial Activity

The Statement of Custodial Activity represents an accounting of revenue and funds collected by the FEC that are owed to the U.S. Treasury's general fund. These monies are not available for the FEC's use. Collection and revenue activity primarily result from enforcement actions that come before the Commission during the fiscal year. Revenue and collections on the Statement of Custodial Activity consist of collections on new assessments, prior year(s) receivables and miscellaneous receipts. In FY 2021, the total custodial revenue and collections increased by approximately \$830 thousand dollars from the prior year. Historically, fine and penalty revenue increases the year after a presidential election year. In addition, Commission quorum was restored in the first quarter of FY 2021.

The chart below displays the assessment history for the past 20 years.¹⁵

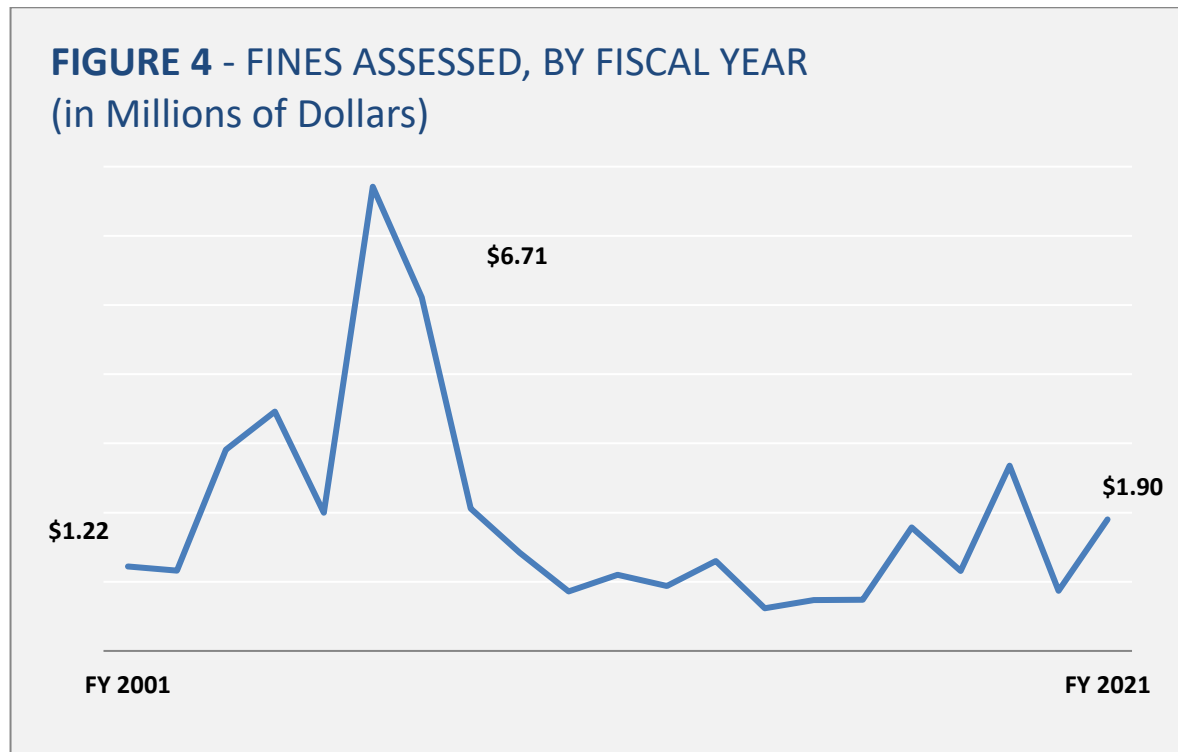


Figure 4: Fines Assessed, by Fiscal Year (in millions of dollars)

Financial impact, if significant, of the coronavirus disease 2019 (COVID-19)

The FY 2021 financial impact of the coronavirus disease 2019 (COVID-19) on the Federal Election Commission was not significant. Approximately \$10,000 was spent on COVID-19 personal protective equipment (PPE), supplies, equipment, signage, and mitigation countermeasures. These expenditures were made with FY 2021 appropriated funds allocated to the Administrative Services Division (ASD) within the scope of their normal budgetary purchasing authorities as outlined in the agency’s Management Plan. Expenditures were made either with the ASD Government Purchase Card or through the GSA Advantage Supply Ordering Mechanism under the supplies and materials Budget Object Class Code 26. COVID-19 spending only utilized approximately 18% of the ASD’s supplies and materials budget for FY 2021. In FY 2020, COVID-19 spending was approximately \$20,000 and utilized approximately 23% of the ASD’s supplies and materials budget for FY 2020.

¹⁵ One MUR resolved during 2006 yielded the largest civil penalty in agency history, which was \$3.8 million paid by Federal Home Loan Mortgage Corporation (Freddie Mac) for prohibited corporate activity. This 2006 penalty is the primary reason for the largest Fines Assessed (approximately \$6.71 million) in Figure 4.

Section I.D: Analysis of FEC’s Systems, Controls and Legal Compliance

I.D.i – FEC Integrated Internal Control Framework and Legal Compliance

The Commission is subject to numerous legislative and regulatory requirements that promote and support effective internal controls. The FEC complies with the following laws and regulations:

Annual Appropriation Law – establishes the FEC’s budget authority;

The Antideficiency Act of 1884, as amended;

Inspector General Act of 1978, as amended;

Federal Managers’ Financial Integrity Act of 1982;

Federal Civil Penalties Inflation Adjustment Act of 1990;

Government Performance and Results Act of 1993, as amended;

Federal Financial Management Improvement Act of 1996;

Clinger-Cohen Act of 1996;

Debt Collection Improvement Act of 1996, as amended; and

Chief Financial Officers Act, as amended by the *Accountability of Tax Dollars Act of 2002*

The proper stewardship of Federal resources is a fundamental responsibility of the FEC. These laws help the FEC improve the management of its programs and financial operations and assure that programs are managed in compliance with applicable law.

I.D.ii – Management Assurances

The *Federal Managers’ Financial Integrity Act of 1982 (FMFIA)* is implemented by OMB Circular A-123, revised, *Management’s Responsibility for Enterprise Risk Management and Internal Control*, with applicable appendices. The FEC management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the *FMFIA* and for performing a self-assessment under the guidance of its Directive 53, *Implementation of OMB Circular A-123, Internal Control Review*. Directive 53 outlines the process and describes roles and responsibilities for conducting risk assessments and internal control reviews.

Section 2 of the *FMFIA* requires Federal agencies to report, based on annual assessments, any material weaknesses that have been identified in connection with their internal and administrative controls. The reviews that took place during FY 2021 provide unqualified assurance that FEC systems and management controls comply with the requirements of the *FMFIA*.

Section 4 of the *FMFIA* requires that agencies annually provide assurance on programmatic internal controls and financial management systems, and effectiveness of internal control over financial reporting. The FEC evaluated its financial management systems in accordance with the *FMFIA*, OMB Circular A-123, as applicable, and reviewed the Statements on Standards for Attestation

Engagements, Reporting on Controls at a Service Organization (SSAE 18) reports received from its shared service providers. The results of management reviews provided that the FEC's financial systems controls generally conform to the required principles and standards as per Section 4 of the *FMFIA*.

Enterprise Risk Management

In the current fiscal year, the FEC, led by the Senior Management Council (SMC), updated its Enterprise Risk Management (ERM) Risk Profile which captures enterprise level risks, as required by the revised OMB Circular A-123. The SMC identified a total of thirteen enterprise level risks the agency faces when seeking to achieve strategic, operational, and compliance objectives and rated these risk as being a medium or high inherent risk. The Risk Profile was delivered to the Office of the Inspector General (OIG) and OMB. The SMC looks forward to continuing to work closely with OIG to remediate any weaknesses which the OIG may deem to be at the level of a material weakness.

Prompt Payment Act

The *Prompt Payment Act (PPA)* requires Federal agencies to make timely vendor payments and to pay interest penalties when payments are late. The FEC's on-time payment rate for FY 2021 was nearly 100 percent, with less than 0.13 percent of all invoices paid after the date required by the *PPA*.

Improper Payments

The *Improper Payments Information Act (IPIA) of 2002*, as amended by the *Improper Payments Elimination and Recovery Act (IPERA) of 2010*, *Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012*, and the *Payment Integrity Information Act (PIIA) of 2019* and OMB guidance require agencies to identify programs that are susceptible to significant improper payments and determine an annual estimated amount of improper payments made in their operations. The FEC reviewed all of its programs and activities to identify those susceptible to significant improper payments. Approximately 73 percent of the FEC's obligations pertain to salaries and benefits, which represents a low risk for improper payments, based on established internal controls. The FEC also reviewed all of its FY 2021 non-personnel procurements, charge card, and payroll costs to verify their accuracy and completeness. Accordingly, the FEC is unaware of any improper payments. The FEC continues to monitor its payment and internal control process to ensure that the risk of improper payments remains low.

Annual Assurance Statement on Internal Control



FEDERAL ELECTION COMMISSION
Washington, DC 20463

Annual Assurance Statement on Internal Control

The Federal Election Commission (FEC) is responsible for managing risks and maintaining effective internal control to meet the objectives of Sections 2 and 4 of the *Federal Managers' Financial Integrity Act*. The FEC conducted its assessment of risk and internal control in accordance with OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Based on the results of the assessment, the Agency can provide reasonable assurance that internal control over operations, reporting, and compliance were operating effectively as of September 30, 2021.

A handwritten signature in blue ink that reads "Shana M. Broussard". The signature is written in a cursive, flowing style.

Shana M. Broussard
Chair

Section I.E: Limitations of the Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of the FEC pursuant to the requirements of 31 U.S.C. §3515(b). While the statements have been prepared from the books and records of the FEC in accordance with United States generally accepted accounting principles (GAAP) for Federal entities and the formats prescribed by the OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

SECTION II – Auditor’s Report and Financial Statements

Message from the Chief Financial Officer

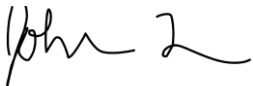
November 15, 2021

I am pleased to present the Commission’s financial statements for Fiscal Year (FY) 2021. The financial statements are an integral part of the Agency Financial Report. For the thirteenth consecutive year, the Commission received an unmodified (clean) opinion on its financial statements from the independent auditor with no material weaknesses. In addition, I am pleased to report that this year the auditor’s report did not include any significant deficiencies or findings. This is a significant achievement made possible by OCFO and all FEC staff who strived diligently throughout the fiscal year to achieve these results and maintain a commitment to excellence.

During fiscal year 2021, FEC also worked through a challenging budget environment to make considerable progress improving internal controls and agency operations. These efforts include strengthening FEC’s annual review of internal controls and maturing FEC’s risk identification and mitigation processes. In addition, I am pleased to see the continued progress in reducing outstanding recommendations made by the Office of the Inspector General (OIG). Working through the FEC’s Senior Management Council and the OIG, the agency resolved an additional seven outstanding recommendations from October 2020. Combined with prior year efforts, FEC has resolved 36 recommendations since August of 2018. We look forward to continuing to work with the OIG to improve agency operations and further reduce outstanding recommendations.

The FEC also continues to seek opportunities to modernize and upgrade business systems to improve operational effectiveness and efficiency. We are confident that FEC employees’ commitment to the agency’s mission will provide an opportunity to build on the prior year’s financial management successes. The OCFO looks forward to another successful year.

Sincerely,



John Quinlan


Chief Financial Officer



Federal Election Commission
Office of the Inspector General

MEMORANDUM

TO: The Commission

FROM: Christopher Skinner 

SUBJECT: Transmittal of the Federal Election Commission's Fiscal Year 2021 Financial Statement Audit Report

DATE: November 12, 2021

Pursuant to the Chief Financial Officers Act of 1990, as amended, this memorandum transmits the Independent Auditor's Report issued by Brown & Company Certified Public Accountants and Management Consultants, PLLC (Brown & Company) for the fiscal year (FY) ending September 30, 2021. Enclosed you will find the Independent Auditor's final audit report on the FEC (*i.e.*, the "FEC" or "Commission") FY 2021 Financial Statements. The final audit report is additionally included in Section II of the FEC's FY 2021 Agency Financial Report

The audit was performed under a contract with, and monitored by, the OIG in accordance with generally accepted government auditing standards, the Comptroller General's *Government Auditing Standards*, and applicable provisions of Office of Management and Budget (OMB) Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*.

In Brown & Company's opinion, the FEC financial statements present fairly, in all material respects, the financial position, net cost, changes in net position, budgetary resources, and custodial activity of the FEC as of, and for the year ending, September 30, 2021, in conformance with accounting principles generally accepted in the United States of America.

Additionally, due to the Commission's position that it is legally exempt from the Federal Information Systems Management Act (FISMA), the OIG requires an assessment of the agency's Information Technology (IT) systems security controls. Accordingly, the audit included an examination of the Commission's IT security in comparison to government-wide best practices. The OIG acknowledges that the independent auditors are only required to explicitly opine on internal controls that have a material impact on agency financial statement reporting.

Brown & Company did not report any material weaknesses or significant deficiencies with the Commission's internal controls. There were six open recommendations from prior year audits to address deficiencies related to IT security controls. However, two of the six prior year recommendations have been closed. Accordingly, there are currently four open recommendations. Management was provided a draft copy of the audit report for review and comment. Since there were

no current year findings and recommendations, an official management response to the report was not required.

The OIG reviewed Brown & Company's report and related documentation and provided the required oversight throughout the course of the audit. Our review ensures the accuracy of the audit conclusions but may not express an opinion of the audit's results. The OIG's review determines that Brown & Company complied with applicable required Government Auditing Standards.

We appreciate the collaboration and support from FEC staff and the professionalism that Brown & Company exercised throughout the course of the audit. If you have any questions concerning the enclosed report, please contact Ms. Shellie Purnell-Brown at (202) 694-1019.

Thank you.

cc: John Quinlan, Chief Financial Officer
Alec Palmer, Staff Director/Chief Information Officer
Lisa Stevenson, Acting General Counsel
Gilbert A. Ford, Director of Budget
Greg Baker, Deputy General Counsel
Katie Higginbotham, Deputy Staff Director for Management and Administration



**FEDERAL ELECTION COMMISSION
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2021 AND 2020**



**Prepared By
Brown & Company CPAs and Management Consultants, PLLC
November 12, 2021**



INDEPENDENT AUDITOR'S REPORT

Inspector General
Federal Election Commission
Washington, D.C.

In our audits of the fiscal years 2021 and 2020 financial statements of the Federal Election Commission (FEC), we found:

- FEC's financial statements as of and for the fiscal years ended September 30, 2021, and 2020, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed; and
- no reportable noncompliance for fiscal year 2021 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI) and other information included with the financial statements; (2) our report on internal control over financial reporting; and (3) our report on compliance with laws, regulations, contracts, and grant agreements.

Report on the Financial Statements

In accordance with the provisions of the Accountability of Tax Dollars Act of 2002 (ATDA) (Pub. L. No. 107-289), we have audited FEC's financial statements. FEC's financial statements comprise the balance sheets as of September 30, 2021, and 2020; the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the fiscal years then ended; and the related notes to the financial statements.

We conducted our audits in accordance with U.S. generally accepted government auditing standards and the provisions of OMB Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

Management's Responsibility

FEC management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditor's report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. U.S. generally accepted government auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and other information included with the financial statements.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the auditor's assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audits also included performing such other procedures as we considered necessary in the circumstances.

Opinion on Financial Statements

In our opinion, FEC's financial statements present fairly, in all material respects, FEC's financial position as of September 30, 2021, and 2020, and its net cost of operations, changes in net position, budgetary resources, and custodial activity for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Although the RSI is not a part of the financial statements, FASAB considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

FEC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on FEC's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

Report on Internal Control over Financial Reporting

In connection with our audits of the FEC's financial statements, we considered the FEC's internal control over financial reporting, consistent with our auditor's responsibility discussed below. We performed our procedures related to the FEC's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

FEC management is responsible for maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

In planning and performing our audit of FEC's financial statements as of and for the year ended September 30, 2021, in accordance with U.S. generally accepted government auditing standards, we considered the FEC's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the FEC's internal control over financial reporting. Accordingly, we do not express an opinion on the FEC's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described above, and was not designed to identify all deficiencies in internal control that might be material weaknesses and significant deficiencies or to express an opinion on the effectiveness of the FEC's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of the FEC's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of the FEC's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of FEC's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

FEC management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the FEC.

Auditor's Responsibility

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to FEC that have a direct effect on the determination of material amounts and disclosures in FEC's financial statements, and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to FEC.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2021 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to FEC. Accordingly, we do not express such an opinion.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Status of Prior Year's Findings and Recommendations

We have reviewed the status of open recommendations from the FY 2020 Independent Auditor's Report, dated November 16, 2020. There are four open recommendations from the prior financial statement audit report. The status of prior year recommendations is presented in Exhibit A.



Greenbelt, Maryland
November 12, 2021

Exhibit A – Status of Prior Year’s Findings and Recommendations

| Status of FY 2020 Prior Year’s Audit Recommendations | Status as of September 30, 2021 |
|--|---------------------------------|
| 2020-01 We recommend the FEC OCIO in conjunction with the direct managers perform and document periodic user access reviews for FEC systems according to the agency’s system security plan. | Open |
| 2020-02: We recommend that the FEC OCIO fully implement STIG baseline configuration standards for Windows devices. | Closed |
| 2020-03: We recommend the FEC OCIO utilize lessons learned from the COVID- 19 pandemic to determine if any revisions are need to the Continuity of Operation Plan, and schedule periodic testing. | Open |
| 2020-04: We recommend that the FEC develop system- specific contingency plans, as appropriate for the agency risk level. (Repeat Recommendation) | Open |
| 2020-05: We recommend the FEC OCIO implement an effective procedure to enforce compliance with the security awareness training policy to ensure all system users complete security training in accordance with the FEC <i>Security Training and Awareness Policy</i> . | Open |
| 2020-06: We recommend that the FEC Chief Information Officer improve the plan of action and milestones report for the information system to include: - Resources required to correct a control deficiency. -Critical path milestones that affect the overall schedule for implementing the corrective actions are needed to resolve the control deficiency. -Plan for prompt resolution and internal control testing to validate the correction of the control deficiency. | Closed |

This page marks the end of the Independent Auditor's Report

Financial Statements

BALANCE SHEET

As of September 30, 2021 and 2020 (in dollars)

| | 2021 | 2020 |
|---|-----------------------------|-----------------------------|
| Assets: (Note 2) | | |
| Intragovernmental: | | |
| Fund Balance With Treasury (Note 3) | \$ 21,955,438 | \$ 23,431,710 |
| Total Intragovernmental Assets | 21,955,438 | 23,431,710 |
| Other Than Intragovernmental: | | |
| Accounts Receivable, net (Note 4) | 632,862 | 352,810 |
| General Property, Plant and Equipment, Net (Note 5) | <u>8,156,901</u> | <u>12,781,818</u> |
| Total Other Than Intragovernmental Assets: | <u>8,789,763</u> | <u>13,134,628</u> |
| Total Assets | <u>\$ 30,745,201</u> | <u>\$ 36,566,338</u> |
| Liabilities: (Notes 6 and 7) | | |
| Intragovernmental: | | |
| Accounts Payable | \$ 8,229,498 | \$ 8,925,616 |
| Other Liabilities (Note 7) | <u>614,905</u> | <u>489,781</u> |
| Total Intragovernmental Liabilities | 8,844,403 | 9,415,397 |
| Other Than Intragovernmental: | | |
| Accounts Payable | 897,060 | 1,037,120 |
| Federal employee benefits payable | 3,879,195 | 3,631,605 |
| Advances from others and deferred revenue | - | 70,155 |
| Other Liabilities (Note 7) | <u>2,079,402</u> | <u>1,884,885</u> |
| Total Other Than Intragovernmental Liabilities | <u>6,855,657</u> | <u>6,623,765</u> |
| Total Liabilities | <u>\$ 15,700,060</u> | <u>\$ 16,039,162</u> |
| Net Position: | | |
| Unexpended Appropriations - All Other Funds (Consolidated Totals) | \$ 17,167,807 | \$ 18,546,408 |
| Cumulative Results of Operations - All Other Funds (Consolidated Totals) | (2,122,666) | 1,980,769 |
| Total Net Position - All Other Funds (Consolidated Totals) | <u>15,045,141</u> | <u>20,527,177</u> |
| Total Net Position | <u>\$ 15,045,141</u> | <u>\$ 20,527,177</u> |
| Total Liabilities and Net Position | <u>\$ 30,745,201</u> | <u>\$ 36,566,338</u> |

The accompanying notes are an integral part of these statements.

STATEMENT OF NET COST
For The Years Ended September 30, 2021 and 2020 (in dollars)

| | 2021 | 2020 |
|---|----------------------------------|----------------------------------|
| | <hr/> | <hr/> |
| Program Costs: | | |
| Administering and Enforcing the <i>FECA</i> | | |
| Gross Costs (Note 15) | \$ 77,960,050 | \$ 80,027,415 |
| Less: Earned Revenue | - | 112,883 |
| Net Program Costs | <hr/> 77,960,050 | <hr/> 79,914,532 |
| Net Cost of Operations | <hr/> \$ 77,960,050 <hr/> | <hr/> \$ 79,914,532 <hr/> |

The accompanying notes are an integral part of these statements.

STATEMENT OF CHANGES IN NET POSITION
For The Years Ended September 30, 2021 and 2020 (in dollars)

FY 2021 (CY)

| | All Other Funds (Consolidated Totals) | Consolidated Total |
|---|--|-------------------------------|
| | <hr/> | <hr/> |
| Unexpended Appropriations: | | |
| Beginning Balance | \$ 18,546,408 | \$ 18,546,408 |
| Appropriations received | 71,497,000 | 71,497,000 |
| Other adjustments | (1,435,166) | (1,435,166) |
| Appropriations used | (71,440,435) | (71,440,435) |
| Change in Unexpended Appropriations | (1,378,601) | (1,378,601) |
| Total Unexpended Appropriations | \$ 17,167,807 | \$ 17,167,807 |
| Cumulative Results from Operations: | | |
| Beginning Balances | \$ 1,711,213 | \$ 1,711,213 |
| Correction of error – roll forward adjustment | 269,556 | 269,556 |
| Beginning balance, as adjusted | 1,980,769 | 1,980,769 |
| Appropriations used | 71,440,435 | 71,440,435 |
| Imputed financing (Note 10) | 2,416,180 | 2,416,180 |
| Total Financing Sources | 73,856,615 | 73,856,615 |
| Net Cost of Operations | 77,960,050 | 77,960,050 |
| Net Change | (4,103,435) | (4,103,435) |
| Cumulative Results of Operations | (2,122,666) | (2,122,666) |
| Net Position | \$ 15,045,141 | \$ 15,045,141 |

The accompanying notes are an integral part of these statements.

STATEMENT OF CHANGES IN NET POSITION
For The Years Ended September 30, 2021 and 2020 (in dollars)

| | FY 2020 (PY) | |
|--|--|-------------------------------|
| | All Other Funds (Consolidated Totals) | Consolidated Total |
| Unexpended Appropriations: | | |
| Beginning Balance | \$ 22,479,219 | \$ 22,479,219 |
| Appropriations received | 71,497,000 | 71,497,000 |
| Appropriations transferred-in/out | (476,424) | (476,424) |
| Appropriations used | (74,953,387) | (74,953,387) |
| Change in Unexpended Appropriations | (3,932,812) | (3,932,812) |
| Total Unexpended Appropriations | \$ 18,546,408 | \$ 18,546,408 |
| Cumulative Results from Operations: | | |
| Beginning Balances | \$ 4,682,706 | \$ 4,682,706 |
| Beginning balance, as adjusted | 4,682,706 | 4,682,706 |
| Appropriations used | 74,953,387 | 74,953,387 |
| Imputed financing (Note 10) | 2,259,208 | 2,259,208 |
| Total Financing Sources | 77,212,595 | 77,212,595 |
| Net Cost of Operations | 79,914,532 | 79,914,532 |
| Net Change | (2,701,937) | (2,701,937) |
| Cumulative Results of Operations | 1,980,769 | 1,980,769 |
| Net Position | \$ 20,527,177 | \$ 20,527,177 |

The accompanying notes are an integral part of these statements.

STATEMENT OF BUDGETARY RESOURCES
For The Years Ended September 30, 2021 and 2020 (in dollars)

| | <u>2021</u> <u>Budgetary</u> | <u>2020</u> <u>Budgetary</u> |
|--|---------------------------------|---------------------------------|
| BUDGETARY RESOURCES | | |
| Unobligated balance from prior year budget authority, net (discretionary and mandatory) (Note 11) | \$ 6,866,771 | \$ 7,439,271 |
| Appropriations (discretionary and mandatory) | 71,497,000 | 71,497,000 |
| Spending authority from offsetting collections (discretionary and mandatory) | - | 125,191 |
| Total budgetary resources (Note 12) | <u>\$ 78,363,771</u> | <u>\$ 79,061,462</u> |
| STATUS OF BUDGETARY RESOURCES | | |
| New obligations and upward adjustments (total) (Note 12) | \$ 72,056,781 | \$ 72,007,887 |
| Unobligated balance, end of year: | | |
| Apportioned, unexpired account | <u>217,964</u> | <u>374,272</u> |
| Unexpired unobligated balance, end of year | 217,964 | 374,272 |
| Expired unobligated balance, end of year | <u>6,089,026</u> | <u>6,679,303</u> |
| Unobligated balance, end of year (total) | <u>6,306,990</u> | <u>7,053,575</u> |
| Total budgetary resources | <u>\$ 78,363,771</u> | <u>\$ 79,061,462</u> |
| OUTLAYS, NET | | |
| Outlays, net (discretionary and mandatory) | \$ 71,538,106 | \$ 73,753,039 |
| Distributed offsetting receipts (-) | <u>-</u> | <u>-</u> |
| Agency outlays, net (discretionary and mandatory) (Note 12,15) | <u>\$ 71,538,106</u> | <u>\$ 73,753,039</u> |

The accompanying notes are an integral part of these statements.

STATEMENT OF CUSTODIAL ACTIVITY
For The Years Ended September 30, 2021 and 2020

| | 2021 | 2020 |
|--|---------------------|-------------------|
| Revenue Activity | | |
| Sources of cash collections | | |
| Civil penalties | \$ 930,748 | \$ 831,658 |
| Administrative fines | 324,919 | 136,799 |
| Miscellaneous receipts | 55,257 | 22,404 |
| Total cash collections | 1,310,924 | 990,861 |
| Accrual adjustments | 280,052 | (230,350) |
| Total custodial revenue (Note 13) | \$ 1,590,976 | \$ 760,511 |
| Disposition of Collections | | |
| Transferred to Treasury | \$ 1,474,574 | \$ 990,861 |
| Amount yet to be transferred | 116,402 | (230,350) |
| Total disposition of collections | 1,590,976 | 760,511 |
| Net custodial activity | \$ - | \$ - |

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The Federal Election Commission (FEC or Commission) was created in 1975 as an independent regulatory agency with exclusive responsibility for administering, enforcing, defending, and interpreting the *Federal Election Campaign Act of 1971* (FECA), 2 U.S.C. 431 et seq., as amended (“the Act”). The Commission is also responsible for administering the public funding programs (26 U.S.C. §§ 9001- 9039) for Presidential campaigns, which include certification and audits of all participating candidates and committees, and enforcement of public funding legislation.

The financial activity presented relates to the execution of the FEC’s Congressionally approved budget. Consistent with Federal Accounting Standards Advisory Board’s (FASAB) *Statement of Federal Financial Accounting Concept No. 2, “Entity and Display,”* the Presidential Election Campaign Fund is not a reporting entity of the FEC. Financial activity of the fund is budgeted, apportioned, recorded, reported, and paid by the U.S. Department of Treasury (Treasury). The accounts of the Presidential Election Campaign Fund are therefore not included in the FEC’s financial statements.

Basis of Accounting and Presentation

As required by the *Accountability of Tax Dollars Act of 2002*, the accompanying financial statements present the financial position, net cost of operations, changes in net position, budgetary resources, and custodial activity of the FEC. While these financial statements have been prepared from the books and records of the FEC in accordance with U.S. generally accepted accounting principles (GAAP) for the Federal Government and in accordance with the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in Circular A-136, as revised, *Financial Reporting Requirements*, as well as the accounting policies of the FEC, the statements may differ from other financial reports submitted pursuant to OMB directives for the purpose of monitoring and controlling the use of the FEC’s budgetary resources.

These financial statements reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting is designed to recognize the obligation of funds according to legal requirements. Budgetary accounting is essential for compliance with legal constraints and controls over the use of federal funds.

Throughout these financial statements, assets, liabilities, revenues, and costs have been classified according to the type of entity with which the transactions are associated. Intragovernmental assets and liabilities are those resulting from transactions with other federal entities. Intragovernmental earned revenues are collections or accruals of revenue from other federal entities and intragovernmental costs are payments or accruals to other federal entities. These statements should

be read with the understanding that they are for a component of the Federal Government, a sovereign entity.

Assets

Assets that an entity is authorized to use in its operations are termed entity assets, whereas assets that are held by an entity and are not available for the entity's use are termed non-entity assets. Most of the FEC's assets are entity assets and are available for use in carrying out the mission of the FEC as appropriated by Congress. The FEC also has non-entity assets which primarily consist of receivables from fines and penalties. These custodial collections are not available to the FEC to use in its operations and must be transferred to Treasury.

Fund Balance with Treasury

The FEC does not maintain cash in commercial bank accounts. Treasury processes cash receipts and disbursements. Fund Balance with Treasury consists of appropriated funds and custodial collections. With the exception of the custodial collections, these funds are available to pay current liabilities and finance authorized purchase commitments. Custodial collections, which are not available to finance FEC activities, are classified as non-entity assets.

Accounts Receivable

The FEC's Accounts Receivable mainly represents amounts due from the public for fines and penalties assessed by the FEC and referred to Treasury for collection. The FEC establishes an allowance for the estimated loss on accounts receivable from the public that are deemed uncollectible accounts. This allowance is included in Accounts Receivable, net on the balance sheet. The allowance is a percentage of the overall receivable balance, based on the collection rate of past balances.

General Property and Equipment

General Property and Equipment (P&E) is reported at acquisition cost and consists of items that are used by the FEC to support its mission. Depreciation or amortization on these assets is calculated using the straight-line method with zero salvage value. Depreciation or amortization of an asset begins the day it is placed in service. Maintenance, repairs, and minor renovations are expensed as incurred. Expenditures that materially increase the value, capacity or useful life of existing assets are capitalized. Refer to Note 5 *General Property and Equipment, Net* for additional details.

Liabilities

Liabilities represent amounts that are likely to be paid by the FEC as the result of transactions or events that have already occurred; however, no liabilities are paid by the FEC without an appropriation. Intragovernmental liabilities arise from transactions with other federal entities. Liabilities classified as not covered by budgetary resources are liabilities for which appropriations have not been enacted (e.g., annual leave benefits and actuarial liability under the *Federal Employees*

Compensation Act), or those resulting from the agency's custodial activities. The FEC has an intragovernmental liability to Treasury for fines, penalties and miscellaneous receipts which are due from the public but have not yet transferred. These funds may not be used to fund FEC operations.

Accounts Payable

Accounts Payable consists of liabilities to other entities or persons for amounts owed for goods and services received that have not yet been paid at the end of the fiscal year. Accounts Payable also consists of disbursements in-transit, which are payables that have been recorded by the FEC and are pending payment by Treasury. In addition to accounts payables recorded through normal business activities, unbilled payables are estimated based on historical data.

Accrued Payroll and Employer Contribution

Accrued payroll and benefits represent salaries, wages and benefits earned by employees, but not yet disbursed as of the statement date. Accrued payroll and Thrift Savings Plan contributions are not classified as intragovernmental. Employer contributions and payroll taxes payable are classified as intragovernmental.

Annual, Sick and Other Leave

Annual leave is recorded as a liability when it is earned by FEC employees; the liability is reduced as leave is taken. On a quarterly basis, the balance in the accrued leave account is adjusted to reflect the current leave balances and pay rates. Accrued annual leave is paid from future funding sources and is reflected as a liability not covered by budgetary resources. Sick leave and other types of non-vested leave are expensed as taken.

Federal Employee Benefits

A liability is recorded for estimated and actual future payments to be made for workers' compensation pursuant to the *Federal Employees Compensation Act*. The liability consists of the net present value of estimated future payments calculated by the Department of Labor (DOL) and the actual unreimbursed cost paid by DOL for compensation paid to recipients under the *Federal Employee's Compensation Act*. The future workers' compensation estimate is generated by DOL through an application of actuarial procedures developed to estimate the liability for the *Federal Employee's Compensation Act*, which includes the expected liability for death, disability, medical and miscellaneous costs for approved compensation cases. The liability is calculated using historical benefit payment patterns related to a specific incurred period to estimate the total payments related to that period. These projected annual benefits payments are discounted to present value.

Employee Retirement Plans

Each fiscal year, the Office of Personnel Management (OPM) estimates the Federal Government service cost for all covered employees. This estimate represents an annuity dollar amount which, if

accumulated and invested each year of an employee's career, would provide sufficient funding to pay for that employee's future benefits. As the Federal Government's estimated service cost exceeds the amount of contributions made by employer agencies and covered employees, this plan is not fully funded by the FEC and its employees. As of September 30, 2021, the FEC recognized approximately \$2,416,180 as an imputed cost and related financing source, for the difference between the estimated service cost and the contributions made by the FEC and its employees. This represents a 7% increase when compared to the \$ 2,259,208 of imputed cost and related financing source recognized in Fiscal Year 2020.

FEC employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), which became effective on January 1, 1987. For employees participating in CSRS, the FEC withheld 7% of base pay earnings and provided a matching contribution equal to the sum of the withholding. For employees covered by FERS, the FEC withheld .8% of base pay earnings and provided the agency contribution. The majority of FEC employees hired after December 31, 1983, are automatically covered by FERS.

Effective January 1, 2013, the *Middle Class Tax Relief and Job Creation Act of 2012* created a new FERS retirement category, Revised Annuity Employees (RAE) for new federal employees hired in calendar year (CY) 2013 or thereafter. In FY 2021, the FERS-RAE employee contribution rate was 3.1%.

Effective January 1, 2014, the *Bipartisan Budget Act of 2013* introduced a new FERS retirement category, Further Revised Annuity Employees (FRAE) for new federal employees hired in CY 2014 and thereafter. In FY 2021, the FERS-FRAE employee contribution rate was 4.4%.

FERS contributions made by employer agencies and covered employees are comparable to the Federal Government's estimated service costs. For FERS covered employees, the FEC made contributions of 18.5% of basic pay for FY 2021. For both FERS-RAE and FERS-FRAE covered employees, the FEC made contributions of 19% and 19.2% respectively of basic pay for FY 2021.

Employees participating in FERS are covered under the *Federal Insurance Contribution Act (FICA)*, for which the FEC contributed 6.2% to the Social Security Administration in FY 2021. Effective in FY 2012 FERS and CSRS – Offset employees were granted a 2% decrease in Social Security for tax year (CY) 2012 under the *Temporary Payroll Tax Cut Continuation Act of 2011*; and *H.R. 3630, the Middle Class Tax Relief and Job Creation Act of 2012*. During FY 2013, employees contributed 4.2% to Social Security through December 31, 2012. Effective January 1, 2013 the employee contribution rate is 6.2%.

Thrift Savings Plan

The Thrift Savings Plan (TSP) is a retirement savings and investment plan for employees covered by either CSRS or FERS. The TSP is administered by the Federal Retirement Thrift Investment Board on behalf of federal agencies. For employees belonging to FERS, the FEC automatically

contributes 1% of base pay to their account and matches contributions up to an additional 4%. For employees belonging to CSRS, there is no governmental matching contribution.

The FEC does not report on its financial statements CSRS and FERS assets, accumulated plan benefits or unfunded liabilities, if any, which may be applicable to FEC employees. Reporting such amounts is the responsibility of the Office of Personnel Management. The portion of the current and estimated future outlays for CSRS and FERS not paid by the FEC is in accordance with *Statement of Federal Financial Accounting Standards (SFFAS) No. 5, Accounting for Liabilities of the Federal Government*, and is included in the FEC's financial statements as an imputed financing source.

Commitments and Contingencies

A contingency is an existing condition, situation or set of circumstances involving uncertainty as to possible gain or loss. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. SFFAS No. 5, as amended by SFFAS No. 12, *Recognition of Contingent Liabilities Arising from Litigation*, contains the criteria for recognition and disclosure of contingent liabilities. A contingency is recognized in the financial statements when a past event or exchange transaction has occurred, a future outflow or other sacrifice of resources is probable and the future outflow or sacrifice of resources is measurable. A contingency is disclosed in the footnotes when any of the conditions for liability recognition are not met and the chance of the future confirming event or events occurring is more than remote but less than probable. In other words, contingent losses that are assessed as probable and measurable are accrued in the financial statements. Losses that are assessed to be at least reasonably possible are disclosed in the notes.

According to OMB Circular A-136, as revised, in addition to the contingent liabilities required by SFFAS No. 5, the following commitments should be disclosed: 1) an estimate of obligations related to cancelled appropriations for which the reporting entity has a contractual commitment for payment; and 2) amounts for contractual arrangements which may require future financial obligations. The FEC does not have commitments related to cancelled appropriations or amounts for contractual arrangements that would require future financial obligations.

Revenues and Other Financing Sources

Annual Appropriation

As a component of the Government-wide reporting entity, the FEC is subject to the Federal budget process, which involves appropriations that are provided annually and appropriations that are provided on a permanent basis. The financial transactions that are supported by budgetary resources, which include appropriations, are generally the same transactions reflected in agency and the Government-wide financial reports.

The FEC received all of its funding through an annual appropriation as provided by Congress. Additionally, the FEC received funding through reimbursement for services provided to other Federal agencies. Services performed for other Federal agencies under reimbursable agreements are

financed through the account providing the service and reimbursements are recognized as revenue when earned.

The FEC's budgetary resources reflect past congressional action and enable the entity to incur budgetary obligations, but they do not reflect assets to the Government as a whole. Budgetary obligations are legal obligations for goods, services, or amounts to be paid based on statutory provisions (e.g., Social Security benefits). After budgetary obligations are incurred, Treasury will make disbursements to liquidate the budgetary obligations and finance those disbursements in the same way it finances all disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

Imputed Financing Sources

In accordance with OMB Circular A-136, as revised, all expenses should be reported by agencies whether or not these expenses would be paid by the agency that incurs the expense. The amounts for certain expenses of the FEC, which will be paid by other federal agencies, are recorded in the Statement of Net Cost (SNC). A corresponding amount is recognized in the "Statement of Changes in Net Position" as an "Imputed Financing Source." These imputed financing sources primarily represent unfunded pension costs of FEC employees, as described above.

Statement of Net Cost

Net cost of operations is the total of the FEC's expenditures. The presentation of the statement is based on the FEC's strategic plan, which presents one program that is based on the FEC's mission and strategic goal. The program that reflects this strategic goal is to administer and enforce the *Federal Election Campaign Act* efficiently and effectively.

Net Position

Net position is the residual difference between asset and liabilities and consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations include the portion of the FEC's appropriations represented by undelivered orders and unobligated balances. Unobligated balances associated with appropriations that expire at the end of the fiscal year remain available for obligation adjustments, but not for new obligations, until that account is cancelled, five years after the appropriations expire. Cumulative results of operations represent the excess of financing sources over expenses since inception.

Statement of Custodial Activity

The Statement of Custodial Activity summarizes collections transferred or transferable to Treasury for miscellaneous receipts, fines and penalties assessed by the FEC. These amounts are not available for FEC operations, and accordingly, are reported as custodial revenue.

Use of Estimates

The preparation of the accompanying financial statements in accordance with GAAP requires management to make certain estimates and assumptions that directly affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from these estimates.

Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information. The FEC has no classified activities.

Note 2 Non-Entity Assets

Non–entity assets, which primarily represent amounts due to the FEC for fines and penalties on those that violated the requirements of the *Federal Election Campaign Act*, consisted of the following as of September 30, 2021 and September 30, 2020:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------|----------------------|----------------------|
| With the Public | | |
| Accounts Receivable - Custodial | \$ 632,862 | \$ 352,810 |
| Total non-entity assets | 632,862 | 352,810 |
| Total entity assets | 30,112,339 | 36,213,528 |
| Total Assets | \$ 30,745,201 | \$ 36,566,338 |

Note 3 Fund Balance with Treasury

Fund Balance with Treasury consisted of the following as of September 30, 2021 and September 30, 2020:

| | <u>2021</u> | <u>2020</u> |
|---|-----------------------------|-----------------------------|
| Fund Balances | | |
| Appropriated Funds | \$ 21,955,438 | \$ 23,431,710 |
| Total | <u>\$ 21,955,438</u> | <u>\$ 23,431,710</u> |
| | | |
| | <u>2021</u> | <u>2020</u> |
| Status of Fund Balance with Treasury | | |
| Unobligated Balance | | |
| Available | \$ 217,964 | \$ 374,272 |
| Unavailable | 6,089,026 | 6,679,303 |
| Obligated Balance not yet Disbursed | 15,648,448 | 16,378,135 |
| Total | <u>\$ 21,955,438</u> | <u>\$ 23,431,710</u> |

Available unobligated balances represent amounts that are apportioned for obligation in the current fiscal year. Unavailable unobligated balances represent amounts that are not apportioned for obligation during the current fiscal year and expired appropriations that are no longer available to incur new obligations. Obligated balances not yet disbursed include amounts designated for payment of goods and services ordered but not received, or goods and services received but for which payment has not yet been made.

Note 4 - Accounts Receivables, Net

Accounts receivable consist of the following as of September 30, 2021 and September 30, 2020:

| 2021 | | | |
|--------------------------------|--------------------------------------|-------------------|------------------------------------|
| | Gross Accounts Receivable | Allowance | Net Accounts Receivable |
| Intragovernmental | | | |
| Intragovernmental | \$ - | \$ - | \$ - |
| Total Intragovernmental | \$ - | \$ - | \$ - |
| With the Public | | | |
| Fines and Penalties | \$ 1,088,802 | \$ 455,940 | \$ 632,862 |
| Total Non-Entity | \$ 1,088,802 | \$ 455,940 | \$ 632,862 |
| Total | \$ 1,088,802 | \$ 455,940 | \$ 632,862 |
| 2020 | | | |
| | Gross Accounts Receivable | Allowance | Net Accounts Receivable |
| Intragovernmental | | | |
| Intragovernmental | \$ - | \$ - | \$ - |
| Total Intragovernmental | \$ - | \$ - | \$ - |
| With the Public | | | |
| Fines and Penalties | \$ 528,125 | \$ 175,315 | \$ 352,810 |
| Total Non-Entity | \$ 528,125 | \$ 175,315 | \$ 352,810 |
| Total | \$ 528,125 | \$ 175,315 | \$ 352,810 |

Non-Entity receivables consist of civil penalties and administrative fines assessed by the FEC through its enforcement processes or conciliation agreements reached with parties. The FEC has three offices that administer the penalties: the Office of General Counsel (OGC); the Office of Administrative Review (OAR); and the Office of Alternative Dispute Resolution (ADR). Each office has a distinct role in the enforcement and collection process. The allowance is based on the historical rate of collection and an overall assessment of the debtor's willingness and ability to pay. Delinquent debts are referred to Treasury in accordance with the *Debt Collection Improvement Act of 1996*. The terms of the agreement between the FEC and the parties establish the conditions for collection. The "intragovernmental accounts receivable" is primarily attributed to the Deputy Inspector General servicing a Federal agency on a reimbursable basis pursuant to the Inspector General Act.

Note 5 General Property and Equipment, Net

General Property and Equipment (P&E) is reported at acquisition cost. The capitalization threshold is established at \$25,000 and a useful life of two or more years. For bulk purchases, items are capitalized when the individual useful lives are at least two years and have an aggregate value of \$250,000 or more. Acquisitions of P&E that do not meet the capitalization criteria are recorded as operating expenses.

General P&E consists of items that are used by the FEC to support its mission. Depreciation or amortization on these assets is calculated using the straight-line method with no salvage value. Depreciation or amortization begins the day the asset is placed in service. Maintenance, repairs, and minor renovations are expensed as incurred. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized.

Effective FY 2017, the estimated useful life of assets such as office furniture and motor vehicles is five years. The estimated useful life of assets such as office equipment, IT equipment, IT software, telecommunications equipment, and audio/visual equipment is three years.

The office building in which the FEC operates is leased through the General Services Administration (GSA) under an occupancy agreement, which manages the lease agreement between the Federal Government and the commercial leasing entity. The FEC is billed by GSA for the leased space based upon estimated lease payments made by GSA plus an administrative fee. The cost of the office building is not capitalized. The costs of any leasehold improvements, which are managed through GSA, are financed with FEC appropriated funds. Construction costs of \$25,000 or more are accumulated as construction in progress until completion and then are transferred and capitalized as a leasehold improvement. Leasehold improvements are amortized over the lesser of five years or the remaining life of the lease term.

The internal use software development and acquisition cost capitalization threshold changed as a result of a new policy that was implemented in FY 2011. Internal use software development and acquisition costs of \$250,000 or more are capitalized as software in development until the development stage is complete and the software is tested and accepted. At acceptance, costs of software in development are reclassified as internal use software costs and amortized using the straight-line method over an estimated useful life of three years. Purchased commercial software that does not meet the capitalization criteria is expensed. In addition, enhancements which do not add significant new capability or functionality are also expensed.

The general components of capitalized property and equipment, net of accumulated depreciation or amortization, consisted of the following as of September 30, 2021 and September 30, 2020, respectively:

2021

| Asset Class | Service Life (years) | Acquisition Value | Accumulated Depreciation/Amortization | Net Book Value |
|---------------------------|-----------------------------|--------------------------|--|-----------------------|
| Software | 3 | \$ 16,997,141 | \$ 16,397,902 | \$ 599,239 |
| Computers and peripherals | 3 | 2,898,979 | 2,215,259 | 683,720 |
| Furniture | 5 | - | - | - |
| Leasehold Improvements | 5 | 10,125,947 | 7,237,282 | 2,888,665 |
| Software-in-Development | n/a | 3,985,277 | - | 3,985,277 |
| Total | | <u>\$ 34,007,344</u> | <u>\$ 25,850,443</u> | <u>\$ 8,156,901</u> |

2020

| Asset Class | Service Life (years) | Acquisition Value | Accumulated Depreciation/Amortization | Net Book Value |
|---------------------------|-----------------------------|--------------------------|--|-----------------------|
| Software | 3 | \$ 19,935,722 | \$ 17,683,340 | \$ 2,252,382 |
| Computers and peripherals | 3 | 3,328,407 | 2,449,332 | 879,075 |
| Furniture | 5 | - | - | - |
| Leasehold Improvements | 5 | 10,125,947 | 4,950,903 | 5,175,044 |
| Software-in-Development | n/a | 4,475,317 | - | 4,475,317 |
| Total | | <u>\$ 37,865,393</u> | <u>\$ 25,083,575</u> | <u>\$ 12,781,818</u> |

Note 6 Liabilities Not Covered by Budgetary Resources

Liabilities Not Covered by Budgetary Resources consisted of the following as of September 30, 2021 and September 30, 2020:

| | <u>2021</u> | <u>2020</u> |
|---|----------------------|----------------------|
| Intragovernmental: | | |
| Custodial Fines and Civil Penalties | \$ 469,213 | \$ 352,810 |
| Deferred Rent | 6,657,942 | 7,254,175 |
| Total Intragovernmental | 7,127,155 | 7,606,985 |
| With The Public: | | |
| Unfunded Annual Leave | \$ 3,785,275 | \$ 3,546,642 |
| Liabilities for Advances and Prepayments | - | 70,155 |
| Actuarial FECA Liability | - | 232 |
| Total Liabilities Not Covered by Budgetary Resources | \$ 10,912,430 | \$ 11,153,859 |
| Total Liabilities Covered by Budgetary Resources | \$ 4,787,630 | \$ 4,815,148 |
| Total Liabilities Not Requiring Budgetary Resources | \$ - | \$ 70,155 |
| Total Liabilities | \$ 15,700,060 | \$ 16,039,162 |

Liabilities not covered by budgetary resources require future congressional action whereas liabilities covered by budgetary resources reflect prior congressional action. Regardless of when the congressional action occurs, when the liabilities are liquidated, Treasury will finance the liquidation in the same way that it finances all other disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit). Liabilities that do not require the use of budgetary resources are covered by monetary assets that are not budgetary resources to the entity.

Beginning FY 2018, the FEC entered into a new lease agreement for its office building that provided a rent abatement of \$8,943,504, which covers the equivalent of 22 months of rent. Consistent with generally accepted accounting principles, the FEC has recorded rent abatement as deferred rent, which is amortized over the life of the ten-year lease.

The FEC accrued a liability related to the *Federal Employees' Compensation Act* as of September 30, 2020.

Liabilities for Advances and Prepayments consist of unearned revenue from registration fees collected for the Regional Campaign Finance Conferences. As part of its program to encourage voluntary compliance with the Federal Election Campaign Act, the Federal Election Commission hosts educational conferences throughout the country. The FEC received additional reimbursable authority for FY 2020 conferences.

Note 7 Other Liabilities

As of September 30, 2021 and September 30, 2020, respectively, components of amounts reported on the Balance Sheet as Other Intragovernmental Liabilities and Other Than Intragovernmental Liabilities along with a categorization of current versus long-term. Custodial Liabilities for FY 2021 are composed of fines and penalties in the amount of \$632,862 and transfers in the amount of (\$163,649).

| | 2021 | | |
|---|--------------------|---------------------|---------------------|
| | <u>Non-Current</u> | <u>Current</u> | <u>Total</u> |
| Other Intragovernmental Liabilities: | | | |
| Employer Contributions and Payroll Taxes Payable | \$ - | \$ 145,692 | \$ 145,692 |
| Custodial Liability | 320,525 | 148,688 | 469,213 |
| Total Other Intragovernmental Liabilities: | \$ 320,525 | \$ 294,380 | \$ 614,905 |
| Other Than Intragovernmental Liabilities | | | |
| Accrued Funded Payroll and Leave | - | 2,079,402 | 2,079,402 |
| Total Other than Intragovernmental Liabilities | \$ - | \$ 2,079,402 | \$ 2,079,402 |
| Total Other Liabilities | \$ 320,525 | \$ 2,373,782 | \$ 2,694,307 |
| | | | |
| | 2020 | | |
| | <u>Non-Current</u> | <u>Current</u> | <u>Total</u> |
| Other Intragovernmental Liabilities: | | | |
| Employer Contributions and Payroll Taxes Payable | \$ - | \$ 136,970 | \$ 136,970 |
| Custodial Liability | 159,207 | 193,604 | 352,811 |
| Total Other Intragovernmental Liabilities: | \$ 159,207 | \$ 330,574 | \$ 489,781 |
| Other Non-Federal Liabilities | | | |
| Accrued Funded Payroll and Leave | - | 1,884,885 | 1,884,885 |
| Total Other Non-Federal Liabilities | \$ - | \$ 1,884,885 | \$ 1,884,885 |
| Total Other Liabilities | \$ 159,207 | \$ 2,215,459 | \$ 2,374,666 |

Note 8 Commitments and Contingencies

As of September 30, 2021, in the opinion of FEC management and legal counsel, the FEC was not party to any legal action which results in a probable, measurable future outflow of resources that requires recognition in the financial statements. However, the FEC was party to legal action which could result in losses that are at least reasonably possibly. Furthermore, there are cases where amounts have not been accrued or disclosed because the amounts of the potential loss cannot be estimated, or the likelihood of an unfavorable outcome is considered remote.

For comparative purposes, the following table includes the status of Commitments and Contingencies as of September 30, 2021 and September 30, 2020, respectively.

Contingent Loss Table

| | Accrued Liabilities | Estimated Range of Loss | |
|--|---------------------|-------------------------|-----------|
| | | Lower End | Upper End |
| As of September 30, 2021 Legal Contingencies: | | | |
| Probable | \$ - | \$ - | \$ - |
| Reasonably Possible | \$ - | \$ 34,483 | \$ 34,483 |
| As of September 30, 2020 Legal Contingencies: | | | |
| Probable | \$ - | \$ 500 | \$ 500 |
| Reasonably Possible | \$ - | \$ 34,483 | \$ 34,483 |

Note 9 Leases

The FEC did not have any capital leases as of September 30, 2021 or September 30, 2020. The FEC has a non-cancellable operating lease for its office space through November 30, 2032.

As contained in the FEC's Occupancy Agreement with the General Services Administration (GSA), as amended July 30, 2019, future payments under the operating lease are as follows:

Future Payments Due for Non-Cancelable Operating Lease - Building

| 2021 | |
|--------------------|-----------------------------|
| <u>Fiscal Year</u> | <u>Lease Payment</u> |
| 2022 | 5,215,071 |
| 2023 | 5,270,698 |
| 2024 | 5,327,993 |
| 2025 | 5,387,007 |
| 2026 | 5,447,791 |
| 2027 | 5,510,399 |
| 2028 | 5,708,203 |
| 2029 | 5,801,287 |
| 2030 | 5,869,701 |
| 2031 | 5,940,166 |
| 2032 | 6,012,746 |
| 2033 | 933,755 |
| Total | <u>\$ 62,424,817</u> |

As per the terms of the lease agreement, the FEC was granted a total of \$8,943,504, or 22 months, in free rent from the lessor. Per the FEC's policy, the total free rent will be amortized as deferred rent over the life of the lease.

The table above represents the actual cash outlays for rent payments, as contained in the FEC's Occupancy Agreement with GSA, and does not include the amortized Deferred Rent referenced above.

Note 10 Inter-Entity Costs

The FEC recognizes certain inter-entity costs for goods and services that are received from other Federal entities at no cost or at a cost less than the full cost. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed are recognized as imputed cost [in the Statement of Net Cost] and are offset by imputed revenue [in the Statement of Changes in Net Position]. Such imputed costs and revenues relate to employee benefits and claims to be settled by the Treasury Judgement Fund. The FEC recognizes as inter-entity costs the amount of accrued pension and post-retirement benefit expenses. However, unreimbursed costs of goods and services other than those identified above are not included in our financial statements for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the periods ended September 30, 2021 and 2020, respectively, inter-entity costs were as follows:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------|---------------------|---------------------|
| Office of Personnel Management | \$ 2,416,180 | \$ 2,259,208 |
| Total Imputed Financing Sources | <u>\$ 2,416,180</u> | <u>\$ 2,259,208</u> |

Note 11 Net Adjustments to Unobligated Balance, Brought Forward, October 1

The Unobligated Balance Brought Forward from the prior fiscal year has been adjusted for recoveries of prior year paid and unpaid obligations and other changes such as canceled authority. The Adjustments to Unobligated Balance Brought Forward, October 1, as of September 30, 2021, and 2020, consisted of the following:

| | <u>2021</u> | <u>2020</u> |
|--|-----------------------------------|-----------------------------------|
| Unobligated Balance Brought Forward From Prior Year, October 1 | \$ 7,053,575 | \$ 6,319,082 |
| Recoveries of Prior Year Obligations | 1,248,362 | 1,596,614 |
| Other Changes in Unobligated Balances | <u>(1,435,166)</u> | <u>(476,425)</u> |
| Unobligated Balance From Prior Year Budget Authority, Net | <u><u>\$ 6,866,771</u></u> | <u><u>\$ 7,439,271</u></u> |

Note 12 Explanation of Differences between the Statement of Budgetary Resources and the Budget of the U.S. Government

The Statement of Budgetary Resources (SBR) compares budgetary resources with the status of those resources. For the year ended September 30, 2021, budgetary resources were \$78,363,771 and net outlays were \$71,538,106. For the year ended September 30, 2020, budgetary resources were \$79,061,462 and net outlays were \$73,753,039.

Apportionment Categories of Obligations Incurred

The FEC receives apportionments of its resources from OMB. Apportionments are for resources that can be obligated without restriction, other than to be in compliance with legislation for which the resources were made available.

For the years ended September 30, 2021 and September 30, 2020, direct obligations incurred amounted to \$72,056,781 and \$71,882,696, respectively. For the years ended September 30, 2021 and September 30, 2020, reimbursable obligations incurred amounted to \$0 and \$125,191, respectively.

Comparison to the Budget of the United States Government

SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, requires an explanation of material differences between budgetary resources available, the status of those resources and outlays as presented in the Statement of Budgetary Resources to the related actual balances published in the *Budget of the United States Government* (Budget). The Budget that will include FY 2021 actual budgetary execution information is scheduled for publication in February 2022, which will be available through OMB's website at <http://www.whitehouse.gov/omb/budget>. Accordingly, information required for such disclosure is not available at the time of publication of these financial statements.

Balance reported in the FY 2020 SBR and related President's Budget reflect the following:

| FY 2020 | Budgetary Resources | New Obligations & Upward Adjustments | Distributed Offsetting Receipts | Net Outlays |
|---|----------------------|--------------------------------------|---------------------------------|----------------------|
| Statement of Budgetary Resources | \$ 79,061,462 | \$ 71,882,696 | \$ - | \$ 73,753,039 |
| <i>Budget of the U.S. Government</i> | 71,000,000 | 71,000,000 | - | 74,000,000 |
| Difference | \$ 8,061,462 | \$ 882,696 | \$ - | \$ (246,961) |

The difference between the Statement of Budgetary Resources and the *Budget of the United States Government* for budgetary resources is primarily due to expired unobligated balances and rounding. The differences for obligations incurred and net outlays are due to rounding.

Note 13 Custodial Activity

The FEC uses the accrual basis of accounting for the collections of fines, penalties, and miscellaneous receipts. The FEC's ability to collect fines and penalties is based on the responsible party's willingness and ability to pay:

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| Custodial Revenue | | |
| Fines, Penalties, and Other Miscellaneous Revenue | \$ 1,590,976 | \$ 760,511 |
| Custodial Liability | | |
| Receivable for Fines and Penalties | \$ 1,088,802 | \$ 528,126 |
| Less: Allowance for Doubtful Accounts | (455,940) | (175,315) |
| Total Custodial Liability | <u>\$ 632,862</u> | <u>\$ 352,810</u> |

The Custodial Liability account represents the amount of custodial revenue pending transfer to Treasury. Accrual adjustments reflected on the Statement of Custodial Activity represent the difference between the FEC's opening and closing accounts receivable balances. Accounts receivable are the funds owed to the FEC (as a custodian) and ultimately to Treasury. The accrual adjustment for civil penalties is composed of a net increase of approximately \$132,000 for FY 2021 and a net decrease of approximately \$306,000 for FY 2020, respectively. The accrual adjustment for administrative fines is composed of a net increase of approximately \$63,000 in FY 2021 and a net increase of approximately \$316,000 in FY 2020, respectively.

Note 14 Undelivered Orders at the End of the Period

For Fiscal Year 2021, Unpaid Undelivered orders were \$11,630,337, of which \$2,162,612 were Federal and \$9,467,725 were non-Federal. As of September 30, 2021, there were no Fiscal Year 2021 Paid Undelivered Orders.

For Fiscal Year 2020, Unpaid Undelivered orders were \$12,420,553, of which \$2,388,787 were Federal and \$ 10,031,766 were non-Federal. As of September 30, 2020, there were no Fiscal Year 2020 Paid Undelivered Orders.

Note 15 Reconciliation of Net Operating Cost to Net Budgetary Outlays

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position, so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays.

| | 2021 (CY) | | |
|--|--------------------------------|----------------------------|--------------------------|
| | Intra- governmental | With the Public | Total FY 2021 |
| Net Operating Cost (SNC) | \$ 77,960,050 | \$ - | \$ 77,960,050 |
| Components of Net Operating Cost Not Part of the Budgetary Outlays | | | |
| Property, plant, and equipment depreciation | - | (4,617,559) | (4,617,559) |
| (Increase)/Decrease in Liabilities not affecting Budget Outlays: | | | |
| Accounts payable | 167,618 | 210,215 | 377,833 |
| Salaries and benefits | (76,455) | (203,706) | (280,161) |
| Other liabilities (Unfunded leave, unfunded FECA, actuarial FECA) | 596,234 | (238,401) | 357,833 |
| Other financing sources | | | |
| Federal employee retirement benefit costs | (2,416,180) | - | (2,416,180) |
| Transfers out (in) without reimbursement | 269,556 | - | 269,556 |
| Total Components of Net Operating Cost Not Part of the Budget Outlays | (1,459,227) | (4,849,451) | (6,308,678) |
| Components of the Budget Outlays That Are Not Part of Net Operating Cost | | | |
| Acquisition of capital assets | - | (7,359) | (7,359) |
| Other | - | 57,743 | 57,743 |
| Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost | - | 50,384 | 50,384 |
| Other Temporary Timing Differences | - | (163,649) | (163,649) |
| Net Outlays | \$ 76,500,822 | \$ (4,962,716) | \$ 71,538,106 |
| Related Amounts on the Statement of Budgetary Resources | | | |
| Outlays, net (SBR) | | | 71,538,106 |
| Agency Outlays, Net (SBR) | | | \$ 71,538,106 |

| | 2020 (PY) | | |
|--|--------------------------------|----------------------------|--------------------------|
| | Intra- governmental | With the Public | Total FY 2020 |
| Net Operating Cost (SNC) | \$ 79,914,532 | \$ - | \$ 79,914,532 |
| Components of Net Operating Cost Not Part of the Budgetary Outlays | | | |
| Property, plant, and equipment depreciation | - | (5,743,370) | (5,743,370) |
| Property, plant, and equipment disposal & reevaluation | - | (46,728) | (46,728) |
| (Increase)/Decrease in Liabilities not affecting Budget Outlays: | | | |
| Accounts payable | (972,866) | 312,562 | (660,304) |
| Salaries and benefits | (141,851) | (398,192) | (540,043) |
| Other liabilities (Unfunded leave, unfunded FECA, actuarial FECA) | 596,294 | (426,491) | 169,803 |
| Other financing sources | | | |
| Federal employee retirement benefit costs | (2,259,208) | - | (2,259,208) |
| Total Components of Net Operating Cost Not Part of the Budget Outlays | (2,777,631) | (6,302,219) | (9,079,850) |
| Components of the Budget Outlays That Are Not Part of Net Operating Cost | | | |
| Acquisition of capital assets | 352,760 | 2,565,597 | 2,918,357 |
| Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost | 352,760 | 2,565,597 | 2,918,357 |
| Other Temporary Timing Differences | - | - | - |
| Net Outlays | \$ 77,489,661 | \$ (3,736,622) | \$ 73,753,039 |
| Related Amounts on the Statement of Budgetary Resources | | | |
| Outlays, net (SBR) | | | 73,753,039 |
| Agency Outlays, Net (SBR) | | | \$ 73,753,039 |

SECTION III – Other Information

Federal Election Commission

Office *of the* Inspector General

Management and Performance Challenges Facing the FEC for FY 2022

October 26, 2021





Federal Election Commission
Office of the Inspector General

MEMORANDUM

TO: The Commission

FROM: Christopher Skinner

SUBJECT: Inspector General (IG) Statement Summarizing the Management and Performance Challenges Facing the Federal Election Commission (FEC) for FY 2022

DATE: November 9, 2021

In accordance with the Reports Consolidation Act of 2000, the Federal Election Commission (*i.e.*, the “FEC” or “Commission”) Office of Inspector General (OIG) identifies the most serious management and performance challenges facing the Commission and provides a brief assessment of the Commission’s progress in addressing those challenges.¹ By statute this report is required to be included in the FEC’s Agency Financial Report.

The Government Performance and Results Modernization Act of 2010 defines major management challenges as programs or management functions that are vulnerable to waste, fraud, abuse and mismanagement and where a failure to perform well could seriously affect the ability of the FEC to achieve its mission objectives. Each challenge is related to the FEC’s mission and reflects continuing vulnerabilities and emerging issues. The FEC OIG identified the top management and performance challenges facing the Commission as the following:

1. Growth of campaign spending
2. Identifying and regulating unlawful foreign contributions
3. Coronavirus (COVID-19) pandemic
4. Senior leadership salary structure
5. Cybersecurity

Further attention to the management challenges identified in this report will improve the Commission’s ability to execute its mission. The FEC OIG encourages the Commission to continue to focus on addressing the management challenges discussed herein. We hope that

¹ The Reports Consolidation Act of 2000 permits agency comment on the IG’s statements. Accordingly, we provided senior management a draft of our statement for comment on October 26, 2021.

this report, accompanied by the oversight work we perform throughout the year, assists the Commission in its efforts to improve the effectiveness and efficiency of its programs and operations.

We appreciate the Commission's collaboration throughout the year in addressing the management challenges process. Please contact me if you have any concerns regarding the identified challenges.

cc: Alec Palmer, Staff Director and Chief Information Officer
John Quinlan, Chief Financial Officer
Lisa Stevenson, Acting General Counsel



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Introduction and Approach

Why do we publish this report?

In accordance with the Reports Consolidation Act of 2000, the Federal Election Commission (*i.e.*, the “FEC” or “Commission”) Office of Inspector General (OIG) identifies the most serious management and performance challenges facing the Commission and provides a brief assessment of the Commission’s progress in addressing those challenges. By statute this report is required to be included in the FEC’s Agency Financial Report.

What are management challenges?

The Government Performance and Results Modernization Act of 2010 identifies major management challenges as programs or management functions that are vulnerable to waste, fraud, abuse and mismanagement and where a failure to perform well could seriously affect the ability of the FEC to achieve its mission objectives. Each challenge area is related to the FEC’s mission and reflects continuing vulnerabilities and emerging issues. The FEC OIG identified the top management and performance challenges facing the Commission as the following:

- Growth of campaign spending
- Identifying and regulating unlawful foreign contributions
- Coronavirus (COVID-19) pandemic
- Senior leadership salary structure
- Cybersecurity

How did we identify these challenges?

We identified the Commission’s major management and performance challenges by recognizing and assessing key themes from OIG audits, special reviews, hotline complaints, investigations, and an internal risk assessment, as well as reports published by external oversight bodies, such as the Office of Personnel Management (OPM) and the Government Accountability Office (GAO). Additionally, we reviewed previous management challenge reports to determine if those challenges remain significant for this submission. Finally, we considered publicly available information and internal Commission records. As a result, we identified five key management and performance challenges, which are detailed herein.

Management and Performance Challenge: Growth of campaign spending

The FEC was established nearly fifty years ago to provide oversight of federal campaign finance. Since then, federal campaign fundraising and spending have increased dramatically, particularly after the U.S. Supreme Court's decision in *Citizens United v. FEC* in 2010. Indeed, total spending on federal election campaigns has increased from \$1.6 billion in 1998 to approximately \$14.5 billion in the 2020 election cycle.

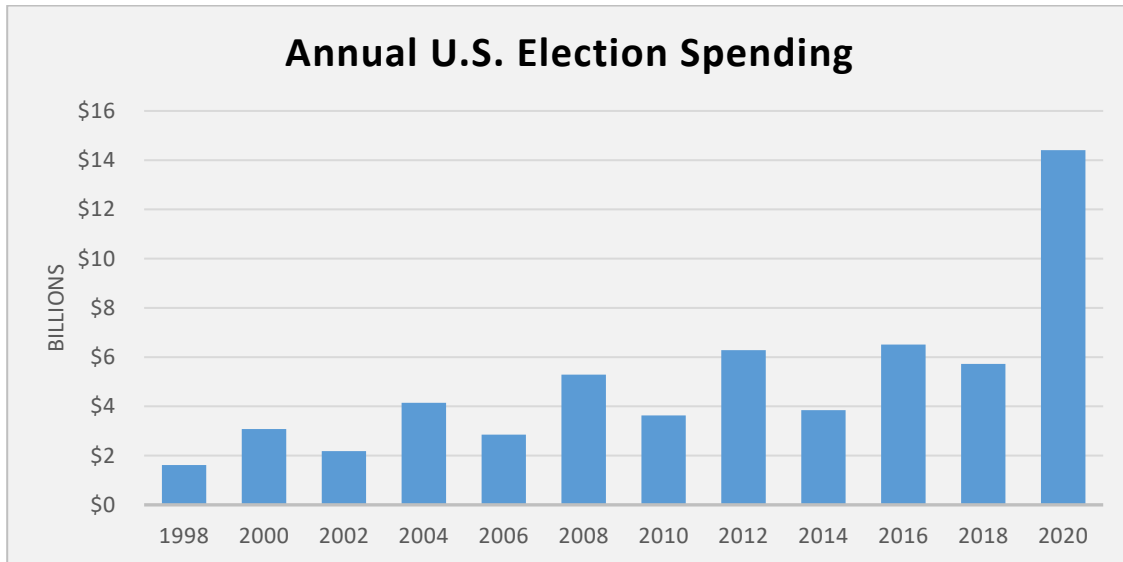


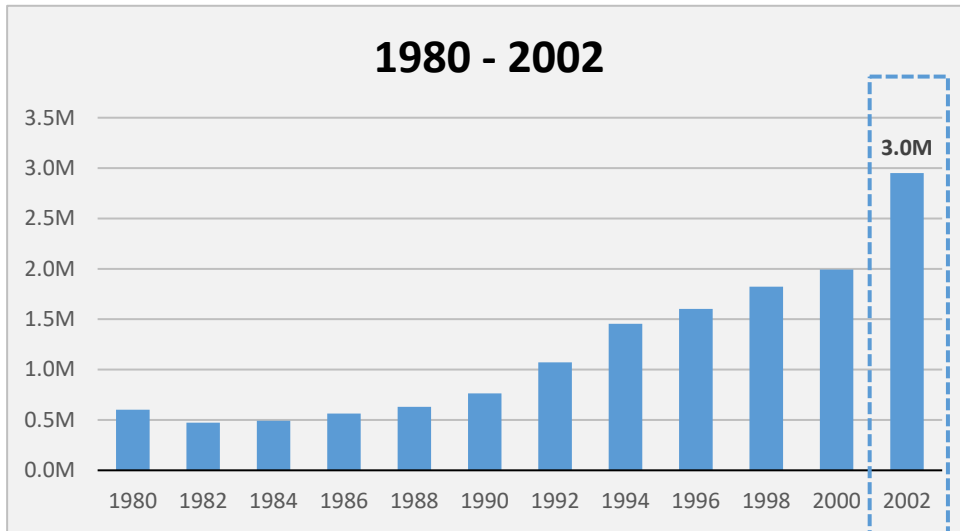
Figure: Total expenditures per election cycle reported to the FEC by all filers. The totals in this figure represent aggregate expenditures by all filers, including campaigns, party committees, and political action committees (PACs), obtained from FEC filings.

The total number of transactions subject to FEC regulation and oversight have also dramatically increased, especially in recent years. Transactions include mandatory filings and consist of financial reports filed with the FEC and include summary financial information and itemized details of receipts (including contributions), disbursements (including expenditures) and other financial activity.

Indeed, as detailed further in the figure below:

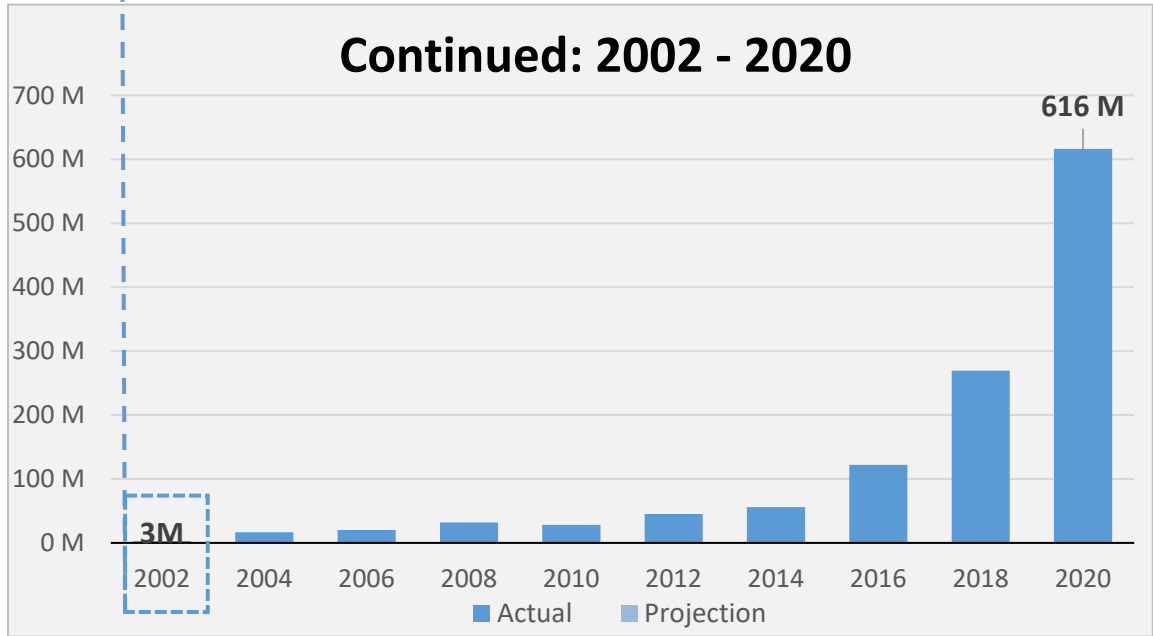
- Between 1980 and 2002, the total number of transactions subject to FEC regulation and oversight increased from approximately 602,000 to nearly three million per election cycle.
- In the 2018 election cycle, the FEC handled nearly 270 million transactions.
- That number exceeded 616 million transactions in the 2020 election cycle.

FEC Total Transactions (1980 - 2002)



Between 1980 and 2002, the total number of transactions subject to FEC regulation and oversight increased from approximately 602,000 to nearly three million per election cycle.

By 2018, the FEC handled nearly 270 million transactions in that cycle and that number exceeded 616 million in the 2020 cycle.



Despite dramatic increases in campaign expenditures and the number of transactions subject to FEC regulation and oversight, the Commission’s budget has remained largely static and has even faced recent reductions. Indeed, since 2008, the FEC’s budget has increased by an average of only 0.61% per year. Those increases have not kept up with inflation, which has averaged approximately 1.8% per year since 2008.

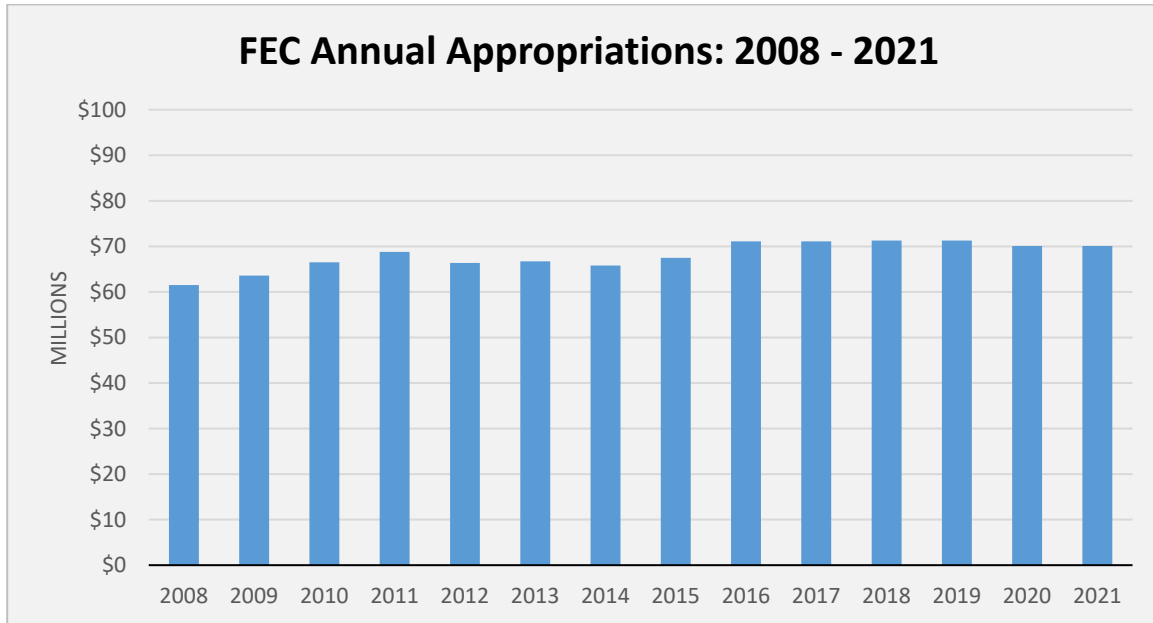


Figure: Annual congressional budget appropriations to the FEC, as reported in Congressional budget justifications.

In addition, the nature of federal campaigns has evolved in recent years. Online fundraising, the influence of dark money, and potential foreign electoral influence will continue to place further strain on the FEC’s ability to provide oversight of federal campaigns. As such, absent additional resources, the FEC faces challenges in successfully regulating campaign finance with its current funding.

Management and Performance Challenge: Identifying and regulating unlawful foreign contributions

Identifying and regulating unlawful foreign campaign contributions pose a significant challenge to the FEC. As campaign expenditures and the number of transactions subject to FEC regulation and oversight increase, potential contributions by foreign nationals also increase, which demands greater scrutiny by agency regulators. However, a recent OIG report found that the FEC’s practice of relying on filers’ self-certifications concerning potential foreign contributions poses a national security risk and provides insufficient oversight of possible illegal foreign donations. Indeed, numerous recent cases highlight the risk of unlawful foreign influence in U.S. elections.

The Federal Election Campaign Act of 1971, related statutes and implementing regulations prohibit direct and indirect contributions to candidates, political committees, and inaugural committees by foreign nationals. As noted above, campaign expenditures and transactions subject to FEC regulation and oversight have dramatically increased in recent years. However, as previously noted, the FEC's budget has remained static, if not reduced, over the same period. Since 2008, the FEC's budget has increased by an average of only 0.61% per year. The increased demand on the agency without additional funding to provide resources to the FEC poses a challenge for the agency to identify and regulate unlawful foreign contributions.

Moreover, recent cases demonstrate that the risk of foreign electoral influence is real and not hypothetical. For example, a matter that came before the Commission in 2016 and was decided in October 2021 involved a consultant for a super PAC that supported a presidential candidate. The consultant allegedly solicited a \$2 million contribution from representatives of a foreign national. The Commission ultimately reached a settlement with the super PAC. Numerous other reported cases further illustrate the risk.

Notwithstanding these risks, a recent investigative report by the OIG found that the FEC's current practices provide limited oversight of potential foreign contributions. Specifically, the OIG investigation found that the FEC identifies many potential foreign national donations based on the reported addresses of donors, but generally defers to a committee's self-certification that it verified the U.S. citizenship of those donors. However, that practice does not appear to be memorialized in policy and relies heavily on the good faith and due diligence of filers.

Accordingly, the OIG recently recommended that the FEC update and memorialize its practice concerning donors with foreign addresses to identify unlawful foreign donations more effectively. However, we recognize that the FEC's resources are significantly constrained as detailed above. As such, identifying and regulating foreign contributions will likely continue to challenge the FEC.

Management and Performance Challenge: COVID-19 pandemic

The ongoing COVID-19 pandemic poses many management and performance challenges to the Commission. Most notably, it has forced the FEC, and many other agencies, to operate in a remote status since March 2020. Fortunately, much of the Commission's business is being accomplished remotely.

Recently, the President signed [Executive Order 14043](#) on September 9, 2021, requiring executive branch federal employees to become fully vaccinated by November 22, 2021, unless they are eligible for a legal exception due to a medical condition or because of a sincerely held religious belief. In addition, employees must provide documentation of their vaccination or in support of their requested legal exception.

Uncertainty remains regarding how the post-pandemic work environment will look for the FEC. Concerns include potential employee turnover once the FEC removes the evacuation order and returns to the office. Hybrid work and flexibility appear to be permanent expectations for the new workplace. However, as federal office returns accelerate, some employees may want to pursue different options. Employees may seek other remote employment options, resign, or

retire, if eligible. Accordingly, the transition back to the office may result in significant employee turnover which could directly impact the agency's human capital resources.

Management was forced to react to the COVID-19 pandemic and as a result, established a COVID management team to address and act on pandemic-related concerns and resulting legislation. A few of those actions include but are not limited to:

- Establishing flexible work schedules and waiving core working hour requirements
- Purchasing and implementing video communication tools
- Providing video conferencing trainings and telework security best practice tips
- Communicating a weekly compilation of guidance and information to assist FEC staff while the agency is under mandatory telework
- Establishing a Phased re-opening quick reference guide and training for FEC staff members which includes a self-check for COVID form, FEC contact tracing log, and protective personal equipment for staff members entering the office
- Mandating face masks in common areas, limiting the number of people in the building, and establishing enhanced cleaning protocols
- Tracking the operating status of approximately 25 public school districts in DC, Maryland, and Virginia
- Requiring employees to complete a vaccination certification form and provide proof of vaccination by October 22, 2021
- Authorizing a short-term 60-day extension of the agency's evacuation order which was scheduled to expire on September 12, 2021

We identify this as a continued challenge facing the Commission in FY 2022 due to the volatility of the situation and encourage the agency to be proactive in its response strategy in FY 2022 to mitigate potential impacts to personnel and mission requirements.

Management and Performance Challenge: Senior leadership salary structure

Currently, the senior leadership roles of the Staff Director and CIO are occupied by the same individual and have been since August 2011. Information technology is ever-evolving, which affects all government agencies and without a fully dedicated CIO to focus on technological issues to ensure resources are properly allocated and adequate processes are in place for the protection and safeguards of the agency, the agency will remain at risk.

Similarly, the Deputy General Counsel for Law is concurrently serving as the Acting General Counsel and has been doing so since September 2016. This has potential to put the agency at risk and inhibit the agency to effectively and efficiently meet its mission requirements, as robust internal dialogue and diversity of opinion are essential to ensuring the agency considers competing legal theories and courses of action.

On April 1, 2019, the Committee on House Administration of the U.S. House of Representatives posed a number of questions to the FEC Commissioners about agency operations, including if the Commission agreed with concerns that the CIO and Staff Director should have a full-time dedicated person for each position. The Commissioners agreed with this concern and added that the salary limit placed on the Staff Director by the Federal Election Campaign Act of 1971, as amended (FECA) is capped at Level IV of the Executive Schedule. This statutory requirement provides that the Staff Director supervises personnel at the GS-15 and Senior Level pay scales, whom often have higher salaries than the Staff Director. Once the Commission promoted the CIO to the Staff Director, the Commission allowed him to continue to serve as the CIO and be compensated at that level rather than take a pay cut.

The Committee on House Administration of the U.S. House of Representatives similarly inquired as to why the position of General Counsel had not been permanently filled. In response, the Commission identified that the FECA requires the General Counsel to be paid at Level V of the Executive Schedule and that this limitation can make it difficult to attract and retain good talent. Similar to the Staff Director position, the General Counsel supervises personnel at the GS-15 and Senior Level pay scales, which often provide higher salaries than level V of the Executive Schedule.

Management previously reported that the Commission adopted legislative recommendations in 2018, 2017, 2016, 2015, 2014, 2013 and 2011 that urged Congress to remove the statutory references to the Executive Schedule in FECA with respect to the FEC Staff Director and General Counsel Positions. The removal of that reference would ensure the two positions be compensated under the same schedule as the Commission's other senior managers.

As of September 30, 2021, the agency is actively recruiting for the General Counsel position. The FEC posted an announcement on USA Jobs with an opening application date of September 30, 2021 and a closing date of October 22, 2021.

Filling the CIO and General Counsel Positions with full-time incumbents would help ensure the FEC is effectively and efficiently supporting its overall mission objectives. Assigning acting personnel to two essential leadership positions is not a viable long-term solution. Based on the foregoing, we encourage the agency to hire or appoint someone to carry out the agency CIO and General Counsel duties on a full-time basis.

Management and Performance Challenge: Cybersecurity

Protecting data, systems, and networks from threats remains a top challenge. The FEC was established to protect the integrity of federal campaign finance by providing transparency and enforcing and administering federal campaign finance laws. In doing so, the FEC discloses campaign finance data to the public and as a result, encounters large volumes of webpage traffic from stakeholders and members of the public. In efforts to streamline transparency initiatives and improve business processes, the Commission is more technology reliant today, as is society; as such, it is imperative that the Commission continue to prioritize cybersecurity.

Cybersecurity encompasses attempts from criminals and adversaries to obtain sensitive information linked to government networks, personal identifiable information, intellectual

property and other sensitive data. Cyber threats may arise from phishing, ransomware or other malware attacks and can infiltrate any level within an organization.

Since October 2020, the Commission engaged with the Department of Homeland Security (DHS) to improve its overall security posture: The Cybersecurity and Infrastructure Security Agency, an operational component under DHS, conducted a Remote Penetration Test on the FEC website.

It is essential that the Commission continue to maintain the integrity and availability of its information as it looks to modernize its systems, which include moving towards a cloud environment. In large part, the agency has been reactive to cybersecurity concerns and we encourage the Commission to be proactive in establishing a cybersecurity framework and strengthen internal controls to mitigate external threats from entering the FEC's network.

Conclusion

The OIG presents these challenges as ongoing issues facing the FEC in FY 2022. The challenges serve as impending barriers to promote efficiency and effectiveness in the management of FEC operations and procedures. The OIG remains dedicated to independent oversight to ensure accountability of the mission of the FEC.

FY 2021 Management Challenges Not Included in FY 2022 Report

Management Challenge: Lack of quorum

A significant management and performance challenge in FY 2021 resulted from the resignation of a commissioner, which left the FEC without a four-member quorum. The Commission is required to be composed of six commissioners, appointed by the President, with no more than three members affiliated with the same political party.¹ Furthermore, 52 U.S.C. § 30106 requires the affirmative vote of four members to act on certain matters.

The Commission regained its quorum on December 9, 2020, when the U.S. Senate confirmed three nominees to the FEC, restoring the agency's ability to conduct official business, and bringing the panel to its full slate of six commissioners for the first time since 2017. Accordingly, that resolved this management and performance challenge.

¹ See 52 U.S.C. § 30106.

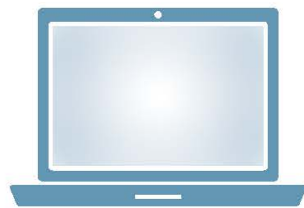


Federal Election Commission
Office *of the* Inspector General

REPORT FRAUD, WASTE, & ABUSE

OIG Hotline Portal

<https://fecoig.ains.com>



* Also accessible via:
<http://www.fec.gov/oig>

OIG Hotline Phone

202-694-1015



* Available from 9:00 a.m. to 5:00 p.m.
Eastern Standard Time, Monday through
Friday, excluding federal holidays.

Or you may call toll free at 1-800-424-9530 (press 0; then dial 1015). You may also file a complaint by completing the Hotline Complaint Form (<http://www.fec.gov/oig>) and mailing it to: 1050 First Street, N.E., Suite 1010, Washington DC 20463.

Individuals including FEC and FEC contractor employees are encouraged to alert the OIG to fraud, waste, abuse, and mismanagement of agency programs and operations. Individuals who contact the OIG can remain anonymous. However, persons who report allegations are encouraged to provide their contact information in the event additional questions arise as the OIG evaluates the allegations. Allegations with limited details or merit may be held in abeyance until further specific details are reported or obtained. Pursuant to the Inspector General Act of 1978, as amended, the Inspector General will not disclose the identity of an individual who provides information without the consent of that individual, unless the Inspector General determines that such disclosure is unavoidable during the course of an investigation. To learn more about the OIG, visit our Website at: <http://www.fec.gov/oig>.

Together we can make a difference!

Management's Response to the Office of Inspector General's Statement on the Federal Election Commission's Management and Performance Challenges ¹⁶

November 8, 2021

In its Statement on the FEC's Management and Performance Challenges ("Statement"), the Office of the Inspector General ("OIG") identified five overarching management and performance challenges for inclusion in the FEC's Agency Financial Report for Fiscal Year 2021. Management's response to the OIG's Statement is below.

Challenge 1: Growth of Campaign Spending

As illustrated in the OIG's description of this management challenge, increases in the amount of money raised and spent in federal elections, and changes in the way political committees raise and report contributions, have resulted in explosive growth in the number of campaign finance transactions reported to the FEC each election cycle. Each of these transactions represents a data element that must be received by the FEC, added to our database and disclosed and made searchable on the FEC website and via the FEC campaign finance API.

The FEC receives campaign finance reports, statements and other disclosure documents from more than 16,000 political committees and other filers. During the 2020 election cycle, these filers reported more than 600 million financial transactions, which were reviewed by FEC staff and disclosed to the public on the FEC's website. This is more than double the number of transactions reported in the previous election cycle, and a nearly 400% increase compared to 2016, the last presidential election cycle.

Aside from the substantial increase in the number of transactions reported to the FEC, the FEC website's Application Programming Interface (API), which permits users to customize data searches making vast quantities of campaign finance data readily available, received over 407 million hits during the 2020 election cycle. With the steep rise in transactions reported every election cycle comes a heavier burden on the FEC's API to quickly search across the FEC's campaign finance database and display the data requested by the public.

In large part in response to projected increases in campaign finance activity, in FY 2015 the FEC proactively launched a comprehensive, multi-year IT Modernization project. Since this project was launched, the Commission has requested and received as part of its annual budget funds to support this crucial effort. As part of the IT Modernization project, the FEC redesigned its website and migrated both the website and the campaign finance database that supports it to a cloud environment. In addition to providing faster and easier access to campaign finance data hosted in the cloud, this migration allowed the agency to shut down one of its physical data centers during FY 2018, realizing attendant costs associated with maintaining that data center. During FY 2020 and 2021, the FEC made additional database enhancements to improve database performance and control costs of hosting and maintaining the database.

¹⁶ Management consists of the agency's senior managers, including the Staff Director, General Counsel, and Chief Financial Officer.

To continue to mitigate an anticipated steep rise in future costs from maintaining physical datacenters, the FEC is pursuing an IT modernization plan which requires investment now and over the next several years to continue cloud migration and realize improvements in its IT processes. During 2020, the FEC conducted a study to determine how best to migrate other appropriate systems and databases to the cloud, allowing the agency to realize greater efficiency and performance in future years. As of November 2021, the FEC has migrated databases and several legacy applications to the cloud. The FEC will continue to strive to implement the recommendations of this study during FY 2023, with the goal of generating efficiencies in future years while maintaining high levels of service to the public. Migrating these legacy applications from physical datacenters to a cloud environment will slow the rising costs for hosting these applications and for maintaining legacy systems in the FEC's physical datacenters over time as the volume of our data holdings continues to climb. Although the escalation in the volume of transactions means and increase in the cost for cloud hosting, the cost of maintaining outdated legacy systems that are not built to handle the increasing volume of transactions makes continued investment in IT modernization a critical priority.

In addition, the FEC is currently working to upgrade the agency's eFiling platform. In FY 2017, the Commission published a study of its current eFiling platform, including a survey of the existing functionality of the FEC's free filing software and an in-depth investigation of needs expressed by filers. The FEC is relying on the recommendations of this study to improve its eFiling platform to allow greater operating system flexibility for users when generating filings for submission to the Commission, and to increase the consistency and accuracy of reporting. The FEC's new eFiling platform is expected to improve the process for validating filings prior to acceptance and generate modern file outputs that will provide for more flexibility in accessing data. The FEC had expected to begin the implementation phase of this project during FY 2020. However, COVID-19 related delays in onboarding new staff and contractors subsequently hampered the FEC's efforts to complete the development phase of the eFiling platform during FY 2020. In late FY 2021, we awarded a contract to a new vendor to provide an assessment of the previous eFiling platform modernization work and to continue development. We now expect to have a working prototype during FY 2022, and to begin to begin partial implementation of the new eFiling platform.

Campaign finance reports filed on paper remain the most costly filings for the FEC because they must be manually received and processed by FEC staff. The Commission has also taken steps to reduce this burden on the agency. Most notably, in 2000 the Commission began requesting through Legislative Recommendations that the Act be amended to make the FEC the point of entry for Senate filings. This amendment, which became law in September 2018, had the effect of subjecting Senate filers to the FEC's mandatory electronic filing rules, which require committees to file electronically if they receive contributions or make expenditures in excess of \$50,000 in a calendar year or expect to do so. In 2018 and 2021, the Commission recommended legislative changes to require reports of electioneering communications to be filed electronically with the Commission, rather than on paper, and to increase and index for inflation certain registration and reporting thresholds. If enacted, each of these recommendations would have an effect of further reducing the number of paper filings received by the FEC.¹⁷

¹⁷ The Commission lacked the necessary quorum of Commissioners to approve Legislative Recommendations in 2019 and 2020.

Challenge 2: Identifying and regulating unlawful foreign contributions

Management has undertaken a number of actions over the last several years to prioritize enforcement of the foreign national prohibition. Along with cases that are statute-of-limitations imperiled when OGC receives them, foreign national prohibition cases are assigned to OGC staff attorneys before any other class of cases. OGC has also modified its Status of Enforcement reports to the Commission so that the Commission is provided with complete data on every foreign national prohibition case on a quarterly basis. Further, OGC has revised its procedures so that it may more efficiently track the progress of all foreign national prohibition matters through the enforcement process. OGC has also modified its case management software to make it easier to run reports for the Commission concerning all foreign national prohibition matters.

Moreover, requirements for committee actions to prevent the receipt of foreign national, or other illegal, contributions are extensive. All committee treasurers are required by regulation to examine all contributions received for evidence of illegality. 11 C.F.R. 103.3(b). Contributions that present genuine questions as to whether they were made by foreign nationals, such as by coming from a foreign address or being drawn on a non-U.S. bank, may be, within ten days of receipt, either deposited in the campaign depository or returned to the contributor. If deposited, the treasurer shall make his or her best efforts to determine the legality of the contribution, including at least one written or oral request for evidence of legality. If the contribution cannot be determined to be legal, the treasurer shall refund the contribution within 30 days of receipt. 11 C.F.R. 103.3(b)(1). If the treasurer determines that the contribution did not appear to be made by a foreign national, but later discovers that it is illegal based on new evidence not available at the time of deposit, the treasurer shall refund the contribution within 30 days of discovering the illegality. 11 C.F.R. 103.3(b)(2). Any contribution which appears to be illegal but is deposited in a campaign depository may not be used for any disbursements until the contribution has been determined to be legal, and the receiving committee must either establish a separate account for such contributions or maintain sufficient funds to make any required refunds. 11 C.F.R. 103.3(b)(4). The treasurer must keep a written record noting the basis for the appearance of illegality of any such contribution, and if a committee's disclosure report is due while resolution of a contribution's legality is still pending, a statement to that effect must be included in the disclosure report. 11 C.F.R. 103.3(b)(5).

In another document, OIG has suggested additional requirements for disclosure to the Commission about suspected foreign national contributions. However, legal and practical concerns block immediate implementation of additional requirements for disclosure. Disclosure of additional information would very likely require a legislative change, which of course is solely the purview of Congress. Specifics as to what must be reported to the Commission as part of disclosure reports are exhaustively described in 52 U.S.C. 30104. Moreover, given that all disclosure reports must be made available to the public, 52 U.S.C. 30111(a)(4), reporting of information such as contributors' U.S. passport numbers, as suggested elsewhere by OIG, would potentially raise serious privacy concerns.

In its Statement, OIG recounts its recent recommendation that the FEC update and memorialize its practice concerning donors with foreign addresses to identify unlawful foreign contributions more effectively. That practice is already memorialized and regularly updated. The practice is based on a regulation, duly promulgated by the Commission, 11 C.F.R. § 110.20(a)(7), which provides

a regulatory safe harbor for these situations. The practice is memorialized in the Reports Analysis Division's Policies and Procedures, which are updated for every election cycle and approved by the Commission, and which are publicly available on FEC.gov, with certain redactions unrelated to this practice. Management will consider updating this practice, including as part of its regularly scheduled review and approval of Policies and Procedures.

Challenge 3: COVID-19 Pandemic

Management continues to prioritize the safety of all FEC staff. On January 20, 2021, the President issued Executive Order 13991, "Protecting the Federal Workforce and Requiring Mask-Wearing," instructing agencies to immediately require masks and physical distancing measures in all Federal buildings consistent with current U.S. Centers for Disease Control and Prevention (CDC) guidance. On January 24, 2021, the Office of Management and Budget (OMB) issued M-21-15, COVID-19 Safe Federal Workplace: Agency Model Safety Principles, to assist Federal agencies in developing tailored COVID-19 workplace safety plans. Consistent with the requirements of EO 13991 and OMB M-21-15, the FEC's COVID-19 management team developed a workplace safety plan to provide minimum mandatory safety guidance for the agency. The COVID-19 management team has also developed a phased re-opening quick reference guide and training for FEC staff members, which includes a self-check for COVID form, FEC contact tracing log and protective personal equipment for staff members entering the office.

On September 9, 2021, the President issued Executive Order 14043, "Requiring Coronavirus Disease 2019 Vaccination for Federal Employees," instructing agencies to implement a program requiring COVID-19 vaccination for all Federal employees, with exceptions only as required by law. The same day, the President also issued Executive Order 14042, "Ensuring Adequate COVID Safety Protocols for Federal Contractors." Consistent with the requirements of EO 14043 and guidance from the Safer Federal Workforce Task Force, the FEC's COVID-19 management team has provided information and guidance regarding the COVID-19 vaccination requirement for Federal employees working with the FEC and begun implementing this requirement through collecting the requisite vaccination status information and documentation from employees. The COVID-19 management team has provided guidance and assistance to the Procurement Office to support implementation of the requirements of EO 14042.

Throughout the year, Management has maintained continuous communication with staff to promote staff safety and provide support. For example, the COVID-19 management team sends a weekly update email every Friday to alert staff to upcoming events, new guidance and general reminders, including information about how to become vaccinated and special leave provisions for employees when they are receiving the vaccine or recovering from vaccine side effects. The weekly update has been well received by staff and managers. Senior Management and the Commission have also been holding virtual meet and greet sessions for new FEC staff. Senior Leaders are regularly holding division meetings to check on staff and hear any concerns they may raise. The COVID-19 management team also continues to hold briefings with the Commission to keep them abreast of the situation and ensure they are aware of any changes to the building operating status and impacts to our employees. Members of the COVID-19 management team also participate in government-wide groups, including OMB small agency group, OPM CHCO/HR Director group, General Counsel Exchange, and the CIO/CISO council.

The FEC's offices remain closed under an evacuation order. All employees continue to work remotely, except in limited circumstances where work must be completed in the FEC's offices, and the agency has purchased video communication tools to facilitate meetings and collaboration during this time. Management continues to closely monitor the situation and is pleased to report that nearly all FEC functions have been seamlessly transitioned to the telework environment and that agency performance goals are continuing to be met. While the FEC's offices have been closed under an evacuation order, Management has waived core working hour requirements and provided for additional work hour flexibilities. As the agency continues to plan for a return to the office, Management has consistently engaged managers and staff, including through staff surveys regarding the future of work, to learn more about employee's scheduling and work/life balance needs. Management will continue to reach out to staff as it considers what scheduling flexibilities and telework programs will best meet the needs of employees and the agency as employees begin to return to the office.

Challenge 4: Senior leadership salary structure

Management fully supports the Commission's ongoing efforts to fill vacant leadership positions and to ensure senior leadership roles are filled by separate individuals. The Commission specifically addressed this issue in response to questions posed by the Committee on House Administration. In its May 1, 2019, response, the Commission stated:

All of the Commissioners agree that the Commission should have separate individuals filling the senior leadership roles of Staff Director and CIO. As is true of the General Counsel position, the salary limit placed on the Staff Director by the FECA (Level IV of the Executive Schedule) means that the Staff Director supervises personnel whose positions, on the GS-15 and Senior Level pay scales, often provide higher salaries than the statutory salary for the Staff Director. The Commission has long recommended that Congress de-link the Staff Director's salary from the Executive Schedule.

When the Commission promoted our CIO to Staff Director, we allowed him to continue to serve as CIO and be compensated at that level rather than absorb a substantial pay cut in order to accept the promotion. This has allowed the Commission to maintain consistency in its most senior staff leadership.¹⁸

Because of the challenges in maintaining consistent senior leadership, the Commission unanimously adopted a Legislative Recommendation in 2021, 2018, 2017, 2016, 2015, 2014, 2013 and 2011 that urges Congress to address this situation. Specifically, the Commission recommends that Congress remove the statutory bar on the FEC's participation in the Senior Executive Service (SES) Program and remove the statutory references to the Executive Schedule in FECA with respect to the General Counsel and Staff Director, so that those two positions would be compensated under the same schedule as the Commission's other senior managers. This revision would remedy the current situation where the Commission's top managers are compensated at a lower rate than many of their direct reports, and would ensure that the Commission can retain highly qualified individuals to serve in those positions as well as enable it to remain competitive

¹⁸ <https://www.fec.gov/about/committee-on-house-administration-april-2019-questions/>

in the marketplace for Federal executives when filing the current vacancy or when further vacancies arise.

Challenge 5: Cybersecurity

The FEC developed a comprehensive cybersecurity program led by the Chief Information Security Officer (CISO) to protect critical infrastructure from the cyber threats. The FEC's overarching strategy to protect the security and privacy of its systems and network begins with the adoption of the National Institute of Standards and Technology (NIST) Risk Management Framework and NIST IT security control "best practices." NIST Special Publication 800-37 Rev. 2 – Risk Management Framework for Information Systems and Organizations," identifies seven steps essential to the successful execution of the risk management framework (RMF):

- **Prepare** to execute the RMF from an organization- and a system-level perspective by establishing a context and priorities for managing security and privacy risk.
- **Categorize** the system and the information processed, stored, and transmitted by the system based on an analysis of the impact of loss.
- **Select** an initial set of controls for the system and tailor the controls as needed to reduce risk to an acceptable level based on an assessment of risk.
- **Implement** the controls and describe how the controls are employed within the system and its environment of operation.
- **Assess** the controls to determine if the controls are implemented correctly, operating as intended, and producing the desired outcomes with respect to satisfying the security and privacy requirements.
- **Authorize** the system or common controls based on a determination that the risk to organizational operations and assets, individuals, other organizations, and the Nation is acceptable.
- **Monitor** the system and the associated controls on an ongoing basis to include assessing control effectiveness, documenting changes to the system and environment of operation, conducting risk assessments and impact analyses, and reporting the security and privacy posture of the system.

The FEC currently employs this continuous monitoring and ongoing authorization approach to assess the risk to systems and networks and allow the authorizing official to determine whether that risk is acceptable. Three of the FEC's major systems follow the formal Authority to Operate (ATO) process: the General Support System, the FEC website and the FEC's eFiling system.

Robust Security Architecture

As a result of, and in support of, the RMF, the FEC's Office of the Chief Information Officer (OCIO) continues to take steps to implement a robust security architecture. For example, in partnership with the Department of Homeland Security (DHS), the OCIO has collaborated with FEC stakeholders and technical experts to identify, protect, detect and respond to the impact of known and unknown threats, continuously assessing security controls and addressing residual and new risks.

As identified in OIG's description of this management challenge, the FEC has proactively pursued three significant joint efforts with DHS over the past two years to better identify and remediate

emerging threats to the FEC's systems and networks. In addition, the FEC maintains ongoing information security efforts, including our security operation center and the applications for continuous diagnostics and mitigation, and implementing security controls to address identified cybersecurity gaps. These efforts help to ensure that identified risks are appropriately addressed and that its cybersecurity program and security architecture will continue to safeguard the agency's infrastructure, networks, and applications against cyber threats and malicious activities.

Continuous Monitoring and Mitigation

OCIO Security has worked with DHS to improve security capability by integrating the Continuous Diagnostics and Mitigation (CDM) program. OCIO Security has also introduced the use of secure baselining standards, such as the use of DISA STIGS and Benchmarks. System hardening and secure baselining practices are being expanded in OCIO teams. The OCIO security team has developed a privileged user account agreement and user access review and a new password policy to add administrative controls to supplement the technical access controls. The addition of the new password policy and multi-factor authentication (MFA) has improved the security posture of authentication types within the FEC's information systems.

Cloud-First Initiative

The FEC has also adopted a cloud first initiative for security, accessibility and recoverability. Hosting systems and data in a cloud environment allows the FEC to utilize our cloud service providers' significant resources that are dedicated to maintaining the highest level of security. In addition, by utilizing the cloud service providers' robust disaster recovery solutions, the FEC eliminates the need to maintain physical disaster recovery sites, which are costly to maintain and secure. The FEC has already completed the migration of its largest database, the campaign finance database, and its website to a cloud environment. The FEC's website, revamped in May 2017, uses FedRAMP Authorized cloud services, which provides a standardized approach to security assessment, authorization, and continuous monitoring for cloud products and services.

Building a Cybersecurity Culture

At the same time, the FEC is working to build a cybersecurity culture among its employees. The first line of defense in maintaining the protection and integrity of the agency's network is the ongoing education of employees about their role in identifying and preventing malicious actors—internal or external—from compromising the FEC's systems and networks. Efforts to build a cybersecurity culture include steps to educate staff about FEC IT security policies and to ensure staff awareness of potential cybersecurity threats, such as phishing scams. The FEC promotes this cybersecurity culture in part through annual, mandatory IT security trainings and through year-round communication and notices to staff from the CISO. This year, the FEC implemented additional trainings for all staff to help staff recognize and avoid social engineering attempts.

Building Capacity in the Information Security Office

The FEC has also taken steps to build capacity in its Information Security Office. In April 2019, the FEC entered into a partnership with the Partnership for Public Service to participate in the Cybersecurity Talent Initiative. This selective, cross-sector program, which provides loan forgiveness to top bachelors and masters graduates around the United States in exchange for at least two-years' service at a Federal agency, addresses the immediate cybersecurity talent deficiency faced by Federal government agencies by attracting service-minded individuals to

government who might not otherwise have applied. During FY2020, the FEC completed the selection process and brought on board an individual for a two-year cybersecurity fellowship. In the past two years, FEC actively participated in the CTI program, attended the CTI's leadership panel discussions, and encouraged the cybersecurity analyst from the CTI program to actively participate in CTI training activities as well as training outside of CTI. The cybersecurity analyst we brought onboard has significantly improved their cybersecurity knowledge and has done an excellent job supporting FEC's security operation.

Payment Integrity Information Reporting

The *Improper Payments Information Act (IPIA) of 2002*, as amended by the *Improper Payments Elimination and Recovery Act (IPERA) of 2010*, *Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012*, and the *Payment Integrity Information Act (PIIA) of 2019* requires agencies to review all programs and activities they administer and identify those which may be susceptible to significant improper payments. The FEC does not have any programs or activities that are susceptible to significant improper payments and is only required to perform an improper payment risk assessment.

Risk Assessment

In FY 2021, the FEC performed a systematic review of its program and related activities to identify processes which may be susceptible to “significant improper payments.” “Significant improper payments” are defined as gross annual improper payments (i.e., the total amount of overpayments and underpayments) in the program exceeding (1) both 1.5 percent of program outlays and \$10 million or (2) \$100 million. The review was performed for the FEC’s only program area which is to administer and enforce the *Federal Election Campaign Act (FECA)*. For FY 2021, the FEC considered risk factors that may significantly increase the risk of improper payments as outlined in OMB Circular A-123, Appendix C, *Transmittal of Appendix C to OMB Circular No. A-123, Requirements for Payment Integrity Improvement*. Based on the systematic review performed, the FEC concluded that it is not susceptible to these risk factors and none of its program activities are susceptible to significant improper payments at or above the threshold level set by OMB. Thus, the agency’s only program (*FECA*) is considered to be in Phase 1.

Information about agency improper payment risk assessments, recoveries, and other agency-wide reporting requirements can be found at <https://paymentaccuracy.gov>.

Recovery of Improper Payments Reporting

The FEC has determined that the risk of improper payments is low; therefore, implementing a payment recovery audit program is not applicable to the agency.

| PIIA Requirements | Agency Response |
|--|---|
| Improper Payment Risk Assessment | Reviewed as noted above. See also Section I.D.ii, Improper Payments |
| Statistical Sampling | Not Applicable.* |
| Corrective Action Plan | Not Applicable.* |
| Improper Payment and Unknown Payment Estimate | Not Applicable.* |
| Recovery of Improper Payments Reporting | Not Applicable.* |
| High Dollar Overpayment and High-Priority Program Report | Not Applicable.* |
| *The FEC does not have programs or activities that are susceptible to significant improper payments. | |

Reporting on Internal Control Assurances

The FEC is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the *Federal Managers' Financial Integrity Act of 1982 (FMFIA)*, as implemented by OMB Circular A-123, revised, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Internal control is an integral component of management to provide reasonable assurance that (1) programs operate effectively and efficiently, (2) financial reports are reliable, and (3) programs comply with applicable laws and regulations. The FEC conducted its evaluation of internal control in accordance with OMB Circular A-123. Based on the results of the Fiscal Year 2021 internal control review, the FEC reported no material weaknesses under the FMFIA and is able to provide an unqualified statement of assurance that the internal controls and financial management systems meet the objectives of the FMFIA.

The Annual Assurance Statement on Internal Control which was signed by the FEC Chair in accordance with OMB Circular A-123 and provided in "Section I.D: Analysis of FEC's Systems, Controls and Legal Compliance" is supported by detailed assurances from each of the FEC's assessable units.

The assessable units that participated in the internal control review process and provided assurances were as follows:

- Office of Communications
- Office of Compliance
- Office of Equal Employment Opportunity
- Office of Management and Administration
- Office of the Chief Financial Officer
- Office of the Chief Information Officer
- Office of the General Counsel

Detailed assurances from each of these assessable units were provided to support the single assurance statement signed by the FEC Chair.

Civil Monetary Penalties Adjustment for Inflation

The following is the FEC’s table of Civil Monetary Penalties Adjustment for Inflation for FY 2021.

| US Code | Statutory Authority; Public Law | Year of Enactment/ Adjustment Other Than Pursuant to IAA | Name/Description of Penalty | Latest Annual Inflation of Adjustment | Section in Title 11 of CFR for Penalty Update Detail | Current Penalty or Penalty Formula |
|-------------------------------|--|--|---|--|--|------------------------------------|
| 52 U.S.C. 30109(a)(5)(A), (6) | Federal Election Campaign Act Amendments of 1976, PL 94-283 sec. 109 | 1976 | Violations of FECA or chapters 95 or 96 of title 26 of U S Code | Civil Monetary Penalties Annual Inflation Adjustments, 83 Fed. Reg. 66593 (Dec. 27, 2018), https://sers.fec.gov/fosers/s/howpdf.htm?docid=401529 . | 111.24(a)(1) | 20,528 |
| 52 U.S.C. 30109(a)(5)(B) | Federal Election Campaign Act Amendments of 1976, PL 94-283 sec. 109 | 1976 | Knowing and willful violations of FECA or chapters 95 or 96 of title 26 of U S Code | Civil Monetary Penalties Annual Inflation Adjustments, 83 Fed. Reg. 66593 (Dec. 27, 2018), https://sers.fec.gov/fosers/s/howpdf.htm?docid=401529 . | 111.24(a)(2)(i) | 43,792 |
| 52 U.S.C. 30109(a)(5)(B) | Bipartisan Campaign Reform Act of 2002, PL 107-155 sec. 312(a) | 2002 | Knowing and willful contributions in the name of another | Civil Monetary Penalties Annual Inflation Adjustments, 83 Fed. Reg. 66593 (Dec. 27, 2018), https://sers.fec.gov/fosers/s/howpdf.htm?docid=401529 . | 111.24(a)(2)(i) | 71,812 |
| 52 U.S.C. 30109(a)(12) | Federal Election Campaign Act Amendments of 1976, PL 94-283 sec. 109 | 1980 | Making public an investigation without consent | Civil Monetary Penalties Annual Inflation Adjustments, 83 Fed. Reg. 66593 (Dec. 27, 2018), https://sers.fec.gov/fosers/s/howpdf.htm?docid=401529 . | 111.24(b) | 6,141 |

| US Code | Statutory Authority; Public Law | Year of Enactment/ Adjustment Other Than Pursuant to IAA | Name/Description of Penalty | Latest Annual Inflation of Adjustment | Section in Title 11 of CFR for Penalty Update Detail | Current Penalty or Penalty Formula |
|--------------------------|--|--|--|--|--|---|
| 52 U.S.C. 30109(a)(12) | 94-283 sec. 109 | 1980 | Knowingly and willfully making public an investigation without consent | Civil Monetary Penalties Annual Inflation Adjustments, 83 Fed. Reg. 66593 (Dec. 27, 2018), https://sers.fec.gov/fosers/howpdf.htm?docid=401529 . | 111.24(b) | 15,352 |
| 52 U.S.C. 30109(a)(4)(C) | Treasury and General Government Appropriations Act, 2000, PL 106-58 sec. 640 | 2003 | Late and Non-Filed Reports | Civil Monetary Penalties Annual Inflation Adjustments, 83 Fed. Reg. 66593 (Dec. 27, 2018), https://sers.fec.gov/fosers/howpdf.htm?docid=401529 . | 111.43(a) | Penalty formula that accounts for (a) level of activity in late or non-filed report; and (b) if report was filed late, (i) the number of days late and (ii) the number of previous violations; or (c) if the report was not filed, the number of previous violations. |
| 52 U.S.C. 30109(a)(4)(C) | Treasury and General Government Appropriations Act, 2000, PL 106-58 sec. 640 | 2003 | Election Sensitive Late and Non-Filed Reports | Civil Monetary Penalties Annual Inflation Adjustments, 83 Fed. Reg. 66593 (Dec. 27, 2018), https://sers.fec.gov/fosers/howpdf.htm?docid=401529 . | 111.43(b) | Penalty formula that accounts for (a) level of activity in late or non-filed report; and (b) if report was filed late, (i) the number of days late and number of previous violations; or (c) if the report was not filed, the number of previous violations. |

| US Code | Statutory Authority; Public Law | Year of Enactment/ Adjustment Other Than Pursuant to IAA | Name/Description of Penalty | Latest Annual Inflation of Adjustment | Section in Title 11 of CFR for Penalty Update Detail | Current Penalty or Penalty Formula |
|--------------------------|--|--|--|--|--|---|
| 52 U.S.C. 30109(a)(4)(C) | Treasury and General Government Appropriations Act, 2000, PL 106-58 sec. 640 | 2000 | Late or Non-Filed Reports where Commission cannot calculate amount of activity | Civil Monetary Penalties Annual Inflation Adjustments, 83 Fed. Reg. 66593 (Dec. 27, 2018), https://sers.fec.gov/fosers/s/howpdf.htm?docid=401529 . | 111.43(c) | 8,231 |
| 52 U.S.C. 30109(a)(4)(C) | Treasury and General Government Appropriations Act, 2000, PL 106-58 sec. 640 | 2000 | Late or Non-Filed 48-hour notices | Civil Monetary Penalties Annual Inflation Adjustments, 83 Fed. Reg. 66593 (Dec. 27, 2018), https://sers.fec.gov/fosers/s/howpdf.htm?docid=401529 . | 111.44 | Penalty formula is 151+ (.10 x amount of contribution(s) not timely reported), subject to a 25% increase for each prior violation |

APPENDIX

List of Acronyms

| | |
|--------|--|
| AFR | Agency Financial Report |
| AO | Advisory Opinion |
| APR | Annual Performance Report |
| ASD | Administrative Services Division |
| CFR | Code of Federal Regulations |
| CSRS | Civil Service Retirement System |
| CY | Calendar Year |
| DCIA | Debt Collection Improvement Act of 1996 |
| DOL | Department of Labor |
| EEO | Equal Employment Opportunity |
| ERM | Enterprise Risk Management |
| FAR | Financial Audit Report |
| FASAB | Federal Accounting Standards Advisory Board |
| FBWT | Fund Balance with Treasury |
| FEC | Federal Election Commission |
| FECA | Federal Election Campaign Act |
| FERS | Federal Employees' Retirement System |
| FMFIA | Federal Managers' Financial Integrity Act |
| FRAE | Further Revised Annuity Employees |
| FRDAA | Fraud Reduction and Data Analytics Act |
| FY | Fiscal Year |
| GAAP | Generally Accepted Accounting Principles |
| GSA | General Services Administration |
| IG | Inspector General |
| IPERA | Improper Payments Elimination and Recovery Act |
| IPERIA | Improper Payments Elimination and Recovery Improvement Act |
| IPIA | Improper Payments Information Act |
| MD&A | Management's Discussion and Analysis |
| NPRM | Notices of Proposed Rulemaking |
| NTEU | National Treasury Employee Union |
| OAR | Office of Administrative Review |
| OCFO | Office of the Chief Financial Officer |
| OCIO | Office of the Chief Information Officer |
| OGC | Office of General Counsel |

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|-------|---|
| OHR | Office of Human Resources |
| OMB | Office of Management and Budget |
| OPM | Office of Personnel Management |
| OSD | Office of the Staff Director |
| PIIA | Payment Integrity Information Act |
| P&E | Property and Equipment |
| PPA | Prompt Payment Act |
| RAD | Reports Analysis Division |
| RAE | Revised Annuity Employees |
| SBR | Statement of Budgetary Resources |
| SCA | Statement of Custodial Activity |
| SFFAS | Statement of Federal Financial Accounting Standards |
| SMC | Senior Management Council |
| SNC | Statement of Net Cost |
| SSAE | Statements on Standards for Attestation Engagements |
| TSP | Thrift Savings Plan |